AGENDA 4:30 P.M.

CITY COUNCIL MEETING TUESDAY, MARCH 11, 2025

NOTES:

- Public Forum:
  Comments are generally limited to **3 minutes**.
- Consent Items:
  Items listed under Consent Items have been distributed to Council Members in advance for study and will be enacted by one motion. Any member of the Council, staff or the public may remove an item from the Consent Items for discussion. For additional information on pulling a Consent Item, please contact the City Clerk's Office staff, preferably in advance of the Call to Order. Items removed from the Consent Items may be acted upon before proceeding to the next agenda item.
- Meeting room is wheelchair accessible. American Disabilities Act (ADA) accommodations are available upon request. Please phone 928-282-3113 at least two (2) business days in advance.
- City Council Meeting Agenda Packets are available on the City's website at:

www.SedonaAZ.gov

THE MEETING CAN BE VIEWED LIVE ON THE CITY'S WEBSITE AT WWW.SEDONAAZ.GOV OR ON CABLE CHANNEL 4.

GUIDELINES FOR PUBLIC COMMENT

PURPOSE:

- To allow the public to provide input to the City Council on a particular subject scheduled on the agenda.
- This is not a question/answer session.
- No disruptive behavior or profane language will be allowed.

PROCEDURES:

- Fill out a "Comment Card" and deliver it to the City Clerk.
- When recognized, use the podium/ microphone.
- State your:
  1. Name and
  2. City of Residence
- Limit comments to **3 MINUTES.**
- Submit written comments to the City Clerk.

1. CALL TO ORDER/PLEDGE OF ALLEGIANCE/MOMENT OF SILENCE
2. ROLL CALL/MOMENT OF ART
3. CONSENT ITEMS - APPROVE — LINK TO DOCUMENT =
   a. Minutes - February 11, 2025 City Council Regular Meeting.
   b. Minutes - February 25, 2025 City Council Special Meeting - Executive Session.
   c. Minutes - February 25, 2025 City Council Regular Meeting.
   d. Minutes - February 26, 2025 City Council Special Meeting.
   e. AB 3193 Approval of a contract amendment for professional services with Paradigm Design, PC for the SIM-11t Coffee Pot Shared Use Path Improvements in the amount of $97,500 ($134,150 New Total Contract Value).
   f. AB 3197 1) Approve acceptance of the FY 2022 Emergency Management Performance Grant (EMPG) in the amount of $42,239.49, and 2) Approve the Subrecipient Agreement between the Sedona Police Department and the Arizona Department of Emergency and Military Affairs (DEMA) as administrator of the grant funds.
   g. AB 3203 Approval of a contract amendment for professional services with Huitt-Zollars for the SIM-11m Dry Creek Shared Use Path Improvements in the amount of $13,900 ($113,600 New Total Contract Value).
   h. AB 3189 Approval of an Ordinance amending Sedona City Code Chapter 2.20 Council Procedures, Sections 2.20.090 (Robert's Rules of Order Revised) and 2.20.100 (Suspension of Rules), and proposed amendments to the Sedona City Council Rules of Procedures and Polices.
   i. AB 3198 Approval for adoption of a new Fund Balance & Reserves Policy, superseding the Policy adopted on June 27, 2023.
4. APPOINTMENTS - None
5. SUMMARY OF CURRENT EVENTS BY MAYOR/COUNCILORS/CITY MANAGER & COUNCIL ASSIGNMENTS
   a. Executive Session report.
6. PUBLIC FORUM

   (This is the time for the public to comment on any issue within the jurisdiction of City Council not listed on the agenda. The City Council may not discuss items that are not specifically identified on the agenda. Therefore, pursuant to A.R.S. § 38-431.01(H), action taken as a result of public comment will be limited to directing staff to study the matter, responding to any criticism, or scheduling the matter for further consideration and decision at a later date.)
7. PROCLAMATIONS, RECOGNITIONS & AWARDS - None.
8. REGULAR BUSINESS
   a. AB 3194 Discussion/possible action/direction on visitor services for the Tourism Program, and approval of a 1-year contract with the Greater Sedona Chamber of Commerce for continued operations of the Uptown Visitor Center in the amount of $351,440 for FY 2026, and the option to renew for FY 2027 in the amount of $358,892, and purchase of digital kiosks and associated costs in the amount of $115,000.

CITY COUNCIL CHAMBERS
102 ROADRUNNER DRIVE, SEDONA, AZ

The mission of the City of Sedona government is to provide exemplary municipal services that are consistent with our values, history, culture and unique beauty.

Note: Pursuant to A.R.S. § 38-431.02 notice is hereby given to the members of the City Council and to the general public that the Council will hold the above open meeting. Members of the City Council will attend either in person or by telephone, video, or internet communications. The Council may vote to go into executive session on any agenda item, pursuant to A.R.S. § 38-431.03(A)(3) and (4) for discussion and consultation for legal advice with the City Attorney. Because various other commissions, committees and/or boards may speak at Council meetings, notice is also given that a quorum of members of these other City commissions, boards, or committees may be in attendance.

A copy of the packet with materials relating to the agenda items is typically available for review by the public in the Clerk's office after 1:00 p.m. the Thursday prior to the Council meeting and on the City's website at www.SedonaAZ.gov. The Council Chambers is accessible to people with disabilities, in compliance with the Federal 504 and ADA laws. Those with needs for special typeface print, may request these at the Clerk's Office. All requests should be made **forty-eight hours** prior to the meeting.

NOTICE TO PARENTS AND LEGAL GUARDIANS: Parents and legal guardians have the right to consent before the City of Sedona makes a video or voice recording of a minor child, pursuant to A.R.S. § 1-602(A)(9). The Sedona City Council meetings are recorded and may be viewed on the City of Sedona website. If you permit your child to attend/participate in a televised City Council meeting, a recording will be made. You may exercise your right not to consent by not allowing your child to attend/participate in the meeting.

b. AB 3148 **Discussion/possible action** regarding approval of an award of 25-12RFP to HS Development Partners, LLC for a 9% LIHTC Multifamily Housing development at 2411 W. State Route 89A, and approval of a Lease Option Agreement, contingent upon receiving a 9% LIHTC award and successfully negotiating a Lease Agreement with the City.

c. AB 3200 **Discussion/possible action** regarding adoption of a Capital Assets Policy.

d. AB 3202 **Discussion/possible action** regarding a Customer Construction Agreement for Line Extension, Removal, Relocation, Conversion or Conduit with Arizona Public Service Company for the Forest Road Connection Project and Uptown Parking Garage in the amount of $438,009.33.

e. AB 3192 **Discussion/possible action** regarding approval of an Ordinance amending Sedona City Code Chapter 5.25 Short Term-Rental (STR) Regulation.

f. AB 3188 **Discussion/possible action** regarding proposed State legislation, short-term rental legislation, lobbying efforts, and State budget and their potential impact on the City of Sedona.

g. AB 3066 **Discussion/possible action** regarding future meeting/agenda items.

9. 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.

10. ADJOURNMENT

Posted: 03/04/2025

By: MG

_____

JoAnne Cook, CMC, City Clerk

CITY COUNCIL CHAMBERS
102 ROADRUNNER DRIVE, SEDONA, AZ

The mission of the City of Sedona government is to provide exemplary municipal services that are consistent with our values, history, culture and unique beauty.

Action Minutes
Regular City Council Meeting
City Council Chambers, Sedona City Hall,
102 Roadrunner Drive, Sedona, Arizona
Tuesday, February 11, 2025, 4:30 p.m.

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

Mayor Jablow called the meeting to order at 4:30 p.m. A moment of silence was observed in honor of the first mayor of the City of Sedona, June Cornelison, who recently passed away.

Council Present: Mayor Scott Jablow, Vice Mayor Holli Ploog, Councilor Melissa Dunn, Councilor Brian Fultz, Councilor Pete Furman, Councilor Kathy Kinsella, and Councilor Derek Pfaff.

Staff Present: City Manager Anette Spickard, Deputy City Manager Andy Dickey, City Attorney Kurt Christianson, Housing Manager Jeanne Blum, Community Development Director Steve Mertes, Director of Public Works/City Engineer Kurt Harris, Parks and Recreation Manager Josh Frewin, Police Chief Stephanie Foley, Facilities Manager Larry Farhat, Interim Deputy Police Chief Chris Dowell, Arts and Culture Specialist Nancy Lattanzi, Director of Financial Services Barbara Whitehorn, Deputy City Clerk Marcy Garner, and City Clerk JoAnne Cook.

2. Roll Call/Moment of Art

Nancy Lattanzi introduced Musician, Eric Elison. Eric performed Gordon Lightfoot's *"Pussy Willows, Cattails",* and an original, *"RV Song"*.

3. Consent Items

a. Minutes - January 28, 2025 City Council Regular Meeting.

Motion: Vice Mayor Ploog moved to approve consent items 3a. Seconded by Councilor Fultz. Vote: Motion passed with seven (7) in favor (Jablow, Ploog, Dunn, Fultz, Furman, Kinsella, Pfaff) and zero (0) opposed.

4. Appointments – None.

5. Summary of Current Events by Mayor/Councilors/City Manager & Council Assignments

Mayor Jablow-

- Attended a state school superintend meeting with Lobbyist, Kathy Senseman, to discuss the impacts of short-term rentals.
- Met with Arizona Dept of Transportation regional partner to discuss road safety assessment of the State route 179 and I-17 intersection.
- Invited all to attend a Mayor's Town Hall Forum on February 20th from 2:00 p.m. – 4:00 p.m. at Embry Riddle University, in the David Learning Center Auditorium, located at 3700 Willow Creek Road Prescott, AZ. The topic for discussion will be the impact of short-term rentals, there is a $20 fee to attend.

Councilor Furman-

- Keep Sedona Beautiful is seeking nominations for their 2025 Awards of Excellence; the deadline is March 14th. More details can be found at www.keepsedonabeautiful.org.
- World Water Day is March 22, 2025 and will be held at the Slide Rock State Park.

6. Public Forum

Public Forum opened at 4:43 p.m.

The following voiced their concerns with their belief that an Uptown parking garage brings along a risk for forest fires. They urged City Council to reconsider its construction:

Judy VanRaalte, Sedona, Jen Farnsworth, Sedona, Alison Nichols, Sedona, Joe Zani, Sedona, and Sandra Bocchiechio, Sedona.

Deborah Wilki, Sedona, spoke about her struggle to provide pick up and drop off services through her business, Hiker Help, at the trailhead shuttle lots.

Claudia Hanstuert, Sedona, spoke in support of the services Deborah Wilkie provides.

Closed Public Forum at 5:04 p.m.

7. Proclamations, Recognitions & Awards – None.

8. Regular Business

a. AB 3176 Public Hearing/discussion/possible action regarding the sale of property located at 401 Jordan Road to the Sedona Fire District in the appraised amount of $2,230,000 and with a closing date of May 1, 2025.

Presentation by Kurt Christianson. Kurt explained the changes to the document provided in the packet, 1) The Sedona Fire District (SFD) requested the closing date be moved to June 1, 2025, staff supported their request, 2) Staff will be discussing details regarding the charging stations located on site with SFD, and the City's desire to use them in another location.

Questions and comments from City Council.

Public Hearing opened at 5:08 p.m.

No public comments were heard.

Closed Public Hearing at 5:09 p.m.

Comments from City Council.

Motion: Vice Mayor Ploog moved to approve the sale of 401 Jordan Rd to the Sedona Fire District in the amount of $2,230,000 subject to approval of the Purchase and Sale Agreement by the City Attorney's Office. Seconded by Councilor Kinsella. Vote: Motion passed with seven (7) in favor (Jablow, Ploog, Dunn, Fultz, Furman, Kinsella, Pfaff) and zero (0) opposed.

b. AB 3174 Discussion/possible direction regarding the interior renovation of the Ranger Station Barn.

Presentation by Jason Frewin, Kurt Harris, and Larry Farhat. Nate Meyers, Executive Director of the Sedona Historical Society was available for questions.

Opened to the public at 5:36 p.m.

Nate Meyers, Yavapai County, congratulated the City on the Ranger Station Barn project and commended staff for their great work.

Brought back to council at 5:37 p.m.

Comments from City Council.

By majority consensus, City Council directed staff to move forward with Option 1, and supported a polished floor surface. They requested an update with possible heating and cooling options be brought back for their consideration after the Ranger Station Barn has been open for a year.

Break at 5:59 p.m. Reconvened at 6:10 p.m.

c. AB 3180 Discussion/possible direction regarding approval of amended scope of work for ADOH Housing Homeless Shelter & Services Fund contract for proposed Rental Assistance Program for individuals experiencing homelessness.

Presentation by Judy Blum. Catholic Charities Community Services Director of Homeless Services, Camie Rasband and Senior Program Director, Northern AZ, Sandi Flores, and Police Chief Foley were available to answer questions of City Council.

Questions and comments from Council.

Opened to the public at 7:35 p.m.

The following spoke in support of the program:

Marjorie Harris, Sedona, Executive Director of Sedona Community Center, Sean Smith, Sedona, Steve Segner, Sedona, Devonna McLaughlin, CEO, Housing Solutions of Northern Arizona, Flagstaff, Guy Lamunyon, Sedona

The following spoke in opposition to the program:

Sandra Bocchicchio, Sedona, Bill Noonan, Sedona, Dale Casey, Sedona, Joetta Winter, Sedona, Lyman Brothers, III, Sedona.

Brought back to Council at 8:02 p.m.

Questions and comments from Council.

Motion: Councilor Kinsella moved to authorize staff to prepare an amended application and Scope of Work to be submitted to the Arizona Department of Housing for HSSF reallocation funding for a Rental Assistance Program. Seconded by Councilor Pfaff. Vote: Motion passed with five (5) in favor (Jablow, Dunn, Kinsella, Furman, Pfaff) one (1) opposed (Fultz), and one (1) abstained (Ploog).

Break at 8:41 p.m. Brought back to Council at 8:51 p.m.

d. AB 3188 Discussion/possible direction/action regarding proposed State legislation, short-term rental legislation, lobbying efforts, and State budget

and their potential impact on the City of Sedona.

Presentation by Kurt Christianson and City Lobbyist Kathy Senseman.

Questions and comments from Council.

Opened to the public at 9:32 p.m.

Sean Smith, Sedona, suggested a social media campaign against the AZ Speaker of the House.

Brought back to Council at 9:33 p.m.

By majority consensus, Council agreed with the Arizona League of Cities and Towns (LACT) position on the following:

City Council had already signed in support - HB2023 municipal general plan; adoption

City Council had already singed in support - HB2308 vacation rentals; ordinance; limits; exemption

LACT supports - HB2316 short-term rentals; property classification

City Council had already signed in opposition to - SB1517 off-highway vehicles; weight

LACT against - HB2371/SB1229 planning; home design restrictions; prohibition

LACT against - HB2426 municipal council vacancies; appointment; deadline

LACT against - SB1013/SCR1008 municipalities; counties; vote; fee increase

LACT against - HCR2021 food; municipal tax; exemption

LACT against - HB2222 settlement agreements; report; approval

LACT against - HB2317 residential building materials; requirements; prohibition

LACT against - HB2319 private property; design; regulations; prohibition

LACT against - SB1036 public resources; influencing elections; penalties

LACT against - SB1313 municipalities; counties; recycling; prohibition

LACT against - AB1353 municipal development; permits; review

Council added the following:

Support - SB1609 online home sharing; repeal

Oppose - HB2221 law enforcement; budget decrease; prohibition; applicability; definition

Monitor - HB2714 rural groundwater management areas; establishment

e. AB 3066 Discussion/possible action regarding future meeting/agenda items.

Councilor Pfaff requested a discussion on the Cold Weather Program. Councilor Furman, Councilor Kinsella, and Mayor Jablow supported his request. Council directed staff to provide clarity of the eligibility criteria, and more information on when the program is intended for use, how funds will be used, and to provide more specificity on the program operation.

6. 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.

7. Adjournment

Mayor Jablow adjourned the meeting at 9:41 p.m. without objection.

I certify that the above are the true and correct actions of the Regular City Council Meeting held on February 11, 2025.

_____ _____

JoAnne Cook, CMC, City Clerk Date

Action Minutes
Special City Council Meeting
Sedona City Hall, Council Chambers
102 Roadrunner Drive, Sedona, Arizona
Tuesday, February 25, 2024, 3:00 p.m.

1. Call to Order

Mayor Jablow called the meeting to order at 3:00 p.m.

2. Roll Call

Council Present: Mayor Scott Jablow, Vice Mayor Holli Ploog, Councilor Melissa Dunn, Councilor Brian Fultz, Councilor Pete Furman, Councilor Kathy Kinsella, and Councilor Derek Pfaff.

Staff Present item: City Manager Anette Spickard, Deputy City Manager Andy Dickey, City Attorney Kurt Christianson, and City Clerk JoAnne Cook.

3. Executive Session

Motion: Councilor Kinsella moved to enter into Executive Session at 3:00 p.m. Seconded by Councilor Fultz. Motion carried with seven (7) in favor (Jablow, Ploog, Dunn, Fultz, Furman, Kinsella, and Pfaff) and zero (0) opposed.

Kurt Christianson gave the admonition.

a. Discussion and consultation for legal advice with the City Attorney, to consider the City's position, and instruct its attorneys regarding settlement discussions in order to avoid or resolve litigation in the matter of La Tierra 1120, LLC's A.R.S. 12-1134 notice of claim regarding 1120 W. SR 89A. This matter is brought in executive session pursuant to A.R.S. § 38-431.03(A)(3) & (4).

b. Discussion and consultation with the City Attorney for legal advice and to consider the City's position and instruct its attorneys regarding contracts that are the subject of negotiations and settlement discussions regarding the proposed Ambiente Creekside development agreement. This matter is brought in executive session pursuant to A.R.S. § 38-431.03(A)(3) & (4).

c. Return to open session. Discussion/possible action regarding executive session items.

Reconvened in open session at 4:14 p.m.

No action taken.

4. Adjournment

Mayor Jablow adjourned the meeting at 4:14 p.m. without objection.

I certify that the above are the true and correct actions of the Special City Council Meeting held on February 25, 2025.

_____ _____

JoAnne Cook, CMC, City Clerk Date

Action Minutes
Regular City Council Meeting
City Council Chambers, Sedona City Hall,
102 Roadrunner Drive, Sedona, Arizona
Tuesday, February 25, 2025, 4:30 p.m.

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

Mayor Jablow called the meeting to order at 4:30 p.m.

Council Present: Mayor Scott Jablow, Vice Mayor Holli Ploog, Councilor Melissa Dunn, Councilor Brian Fultz, Councilor Pete Furman, Councilor Kathy Kinsella, and Councilor Derek Pfaff.

Staff Present: City Manager Anette Spickard, Deputy City Manager Andy Dickey, City Attorney Kurt Christianson, Assistant City Attorney Monique Coady, Associate Engineer Bob Welch, Director of Public Works/City Engineer Kurt Harris, Parks and Recreation Manager Josh Frewin, Police Chief Stephanie Foley, Procurement Officer Ian Coubrough, Assistant Project Manager Gillian Arnold, Associate Engineer James Crowley, and City Clerk JoAnne Cook.

2. Roll Call

3. Consent Items

a. Minutes - January 29, 2025 City Council Regular Meeting.
b. AB 3191 Approval of award for a professional services contract for construction material testing and special inspection of the Uptown Parking Garage to Quality Testing, LLC in the amount of $182,974.
c. AB 3195 Approval of a Linking Agreement with FlexGround, LLC for rubber surfacing at Ranger Station Park Playground in an amount not-to-exceed $114,418.56.

City Council requested items 3b AB 3191 and 3c AB 3195 be pulled from the agenda.

Motion: Councilor Fultz moved to approve consent item 3a. Seconded by Councilor Dunn. Vote: Motion passed with seven (7) in favor (Jablow, Ploog, Dunn, Fultz, Furman, Kinsella, Pfaff) and zero (0) opposed.

Councilor Pfaff recused himself from item 3b and stepped down from the dais.

Comments from City Council regarding item 3b AB 3191.

Presentation by Andy Dickey. Andy explained the expenditures are within the City's budget and are not "extra expenses".

Motion: Vice Mayor Ploog moved to approve consent item 3b. Seconded by Councilor Fultz. Vote: Motion passed with six (6) in favor (Jablow, Ploog, Dunn, Fultz, Furman, Kinsella) and zero (0) opposed.

Councilor Pfaff returned to the dais.

Questions and comments from City Council regarding item 3c AB 3195.

Presentation by Andy Dickey. Andy explained the expenditures are within the City's budget and are not "extra expenses".

Motion: Councilor Kinsella moved to approve consent item 3c. Seconded by Councilor Fultz. Vote: Motion passed with seven (7) in favor (Jablow, Ploog, Dunn, Fultz, Furman, Kinsella, Pfaff) and zero (0) opposed.

4. Appointments

a. AB 3190 Discussion/possible action regarding the appointment of a Tourism Advisory Board member

Presentation by JoAnne Cook.

Motion: Vice Mayor Ploog moved to appoint Lindsay Hammersmith to a seat on the Tourism Advisory Board to a term beginning immediately and ending on December 31, 2025, or until a successor is appointed, whichever is later. Seconded by Councilor Kinsella. Vote: Motion passed with seven (7) in favor (Jablow, Ploog, Dunn, Fultz, Furman, Kinsella, Pfaff) and zero (0) opposed.

5. Summary of Current Events by Mayor/Councilors/City Manager & Council Assignments

a. Executive Session report for February 11, 2025 – None.

Vice Mayor Ploog- Sister Cities Jaslo Poland visited Sedona to attend the Sedona Film Festival and held an event at City Hall last Saturday.

6. Public Forum

Public Forum opened at 4:42 p.m.

The following spoke regarding the business Hiker Help and their inability to provide drop off and pick up services at Solder Pass Trail:

Deborah Wilke, Sedona, Phil Kincheloe, Sedona.

Closed Public Forum at 4:49 p.m.

7. Proclamations, Recognitions & Awards – None.

8. Regular Business

a. AB 3186 Discussion/possible action regarding approval of a property purchase agreement, with the Arizona Department of Transportation, for the purchase of a parcel located at 676 SR 179, in the amount of $998,602.50 plus closing costs and authorization of a budget transfer of funds of up to $1,010,000.

Presentation by Andy Dickey.

Questions and comments from City Council.

Opened to the public at 5:23 p.m.

The following spoke in opposition to a "Creek Walk":

Mary Wagner, Sedona/Phx, also spoke on behalf of Laura Thomas, Ty Weckerly, Sedona, and Miriam Weckerly, Sedona.

Brought back to City Council at 5:32 p.m.

Comments and questions from City Council.

Motion: Councilor Kinsella moved to go into Executive Session at 5:59 p.m. Seconded by Vice Mayor Ploog. Vote: Motion passed with seven (7) in favor (Jablow, Ploog, Dunn, Fultz, Furman, Kinsella, Pfaff) and zero (0) opposed.

Reconvened in open session at 6:10 p.m.

Comments from City Council.

Motion: Councilor Kinsella moved approve a Property Purchase Agreement with the Arizona Department of Transportation for the purchase of a parcel located at 676 SR 179 fin the amount of $998,602.50, subject to approval of the Property Purchase Agreement by the City Attorney's Office; and, authorize a budget transfer of funds of up to 1,010,000. Seconded by Vice Mayor Ploog. Vote: Motion passed with seven (7) in favor (Jablow, Ploog, Dunn, Fultz, Furman, Kinsella, Pfaff) and (0) opposed.

Comments from City Council.

Break at 6:14 p.m. Reconvened at 6:15 p.m.

b. AB 3188 Discussion/possible direction/action regarding proposed State legislation, short-term rental legislation, lobbying efforts, and State budget and their potential impact on the City of Sedona.

Presentation by Kurt Christianson.

Questions and comments from Council.

By majority consensus, Council agreed to oppose SB 1228.

c. AB 3066 Discussion/possible action regarding future meeting/agenda items.

Mayor Jablow advised tomorrow's meeting begins at 2:00 p.m.

9. 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.

Motion: Councilor Kinsella moved to go into Executive Session for legal counsel for advise on matters related to item 3a AB 3186 at 5:59 p.m. Seconded by Vice Mayor Ploog. Vote: Motion passed with seven (7) in favor (Jablow, Ploog, Dunn, Fultz, Furman, Kinsella, Pfaff) and zero (0) opposed.

Reconvened in open session at 6:10 p.m.

No action taken.

10. Adjournment

Mayor Jablow adjourned the meeting at 6:32 p.m. without objection.

I certify that the above are the true and correct actions of the Regular City Council Meeting held on February 25, 2025.

_____ _____

JoAnne Cook, CMC, City Clerk Date

Action Minutes
Special City Council Meeting
City Council Chambers, Sedona City Hall
102 Roadrunner Drive, Sedona, Arizona
Wednesday, February 26, 2025, 2:00 p.m.

1. Call to Order

Mayor Jablow called the meeting to order at 2:00 p.m.

2. Roll Call

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

Staff in attendance: City Manager Anette Spickard, Deputy City Manager Andy Dickey, City Attorney Kurt Christianson, Communications and Tourism Director Lauren Browne, Associate Engineer Bob Welch, Director of Public Works/City Engineer Kurt Harris, Assistant Director of Public Works Sandy Philips, Marketing Manager Rob MacMullan, Parking Manager Lance Lunsway, Director of Community Development Steve Mertes and Deputy City Clerk Marcy Garner.

3. Special Business

a. AB 3152 Discussion/possible direction regarding Sedona In Motion (SIM) projects overview with updates of traffic improvements demonstrated by presenting a Traction modeling Dashboard with a focus on Uptown Parking, and future projects.

Presentation by Kurt Harris and Lance Lunsway. Sandy Philips assisted with answering questions.

Questions and comments by council throughout the presentation.

Public Forum opened at 3:31 p.m.

Sean Smith, Sedona, spoke about Brewer Road roundabout suggestions.

Closed Public Forum at 3:32 p.m.

Question and comments by City Council.

Presentation and discussion only, no direction given.

b. Discussion/possible action regarding ideas for future meetings/agenda items – None.

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 held.

5. **Adjournment**

Mayor Jablow adjourned the meeting at 3:56 p.m. without objection.

I certify that the above are the true and correct actions of the Special City Council Meeting held on February 26, 2025.

_____ _____

Marcy Garner, Deputy City Clerk Date

CITY COUNCIL AGENDA BILL

Agenda Item: 3e
Proposed Action & Subject: Approval of a contract amendment for professional services with Paradigm Design, PC for the SIM-11t Coffee Pot Shared Use Path Improvements in the amount of $97,500 ($134,150 New Total Contract Value).

Department	Public Works/Sandra Phillips
Time to Present	N/A
Total Time for Item	N/A
Other Council Meetings	N/A
Exhibits	A. Amendment #1 To Departmental Services Contract B. Alignment

Finance Approval	Reviewed 2/25/25 BGW
City Attorney Approval	Reviewed 2/25/25 KWC
City Manager's Recommendation	Recommend approval ABS 2/28/25

Expenditure Required	
	$ 134,150
Amount Budgeted	
FY25	$ 100,000
FY26	$ 1,610,000
Account No.	22-5320-89-68EA ($63,350) 22-5320-89-68E8 ($70,800)

SUMMARY STATEMENT

Staff is requesting approval to amend a professional services contract with Paradigm Design, PC, in the amount of $97,500. Original contract amount was for the feasibility phase in the amount of $36,650. This amendment adds design phase to the contract to provide construction documents. This amendment exceeds the City Manager's signing authority of $100,000 and requires Council approval to amend contract. The new contract value will total $134,150.00

Background: The 2018 Transportation Master Plan, Strategy 11, Walking and Bicycling Facilities, indicates these improvements collectively encourage use of alternative modes of travel in Sedona, and support a park-once culture where visitors and residents are encouraged to leave their vehicles at their place of lodging/residence. To have a measurable impact on traffic congestion, shared use path connections will be required. Over the past 25 years, many plans have supported the increased availability of bicycle and pedestrian routes. Some of these

plans specifically supported improving the route along Coffee Pot Drive. These plans include the following:

- 1994 Red Rock Pathways Plan
- 1996 Trails and Urban Pathways Plan 007 Sedona Bicycle Plan
- 2017 Community Survey
- 2018 Transportation Master Plan (Strategy 11)
- FY2020/2021 Budget Survey
- 2020 GO Sedona, Trails and Pathways (ST&PS) Master Plan Update

By investing in bicycle and pedestrian infrastructure, the City of Sedona is showing a commitment of providing safe and convenient alternatives (or “active”) transportation options. In addition, accessibility to active transportation infrastructure encourages healthier lifestyles.

This design phase will provide construction drawings that address residents’ concerns for the safety of visitors walking down the roadway. The concern is also highlighted by the high level of distracted driving and excessive speeds along Coffee Pot Road.





Resident Outreach: City Staff have been performing public outreach at the onset of the feasibility stage (December 2024). Letters were sent encouraging residents to meet one-on-one at the property or through email/phone. These meetings are designed to discuss the project and how it impacts their individual property, as well as the neighborhood as a whole. Outreach will be ongoing with updates contained on the City website and additional letters mailed through the design and construction phases.

Budget:

- Amount budgeted in FY25 is $100,000, with $36,650 encumbered to date. Leaving $63,350 in the FY25 budget for design.
- The additional funds of $70,800 will be transferred from SIM-11s Little Horse Shared Use Path.
- The priority of this project, in relation to other ST&PS projects, has been analyzed with the ST&PS priority matrix. The project was found to have a high priority and should proceed as proposed.

Climate Action Plan/Sustainability Consistent: ☒**Yes -** ☐**No -** ☐**Not Applicable**

In the Climate Action Plan, transportation related desired actions includes bike/pedestrian infrastructure, and reduced congestion. Identified strategies include developing and maintaining a safe, convenient, and effective system for walking, biking and other active forms of transportation. This project addresses those desired actions and strategies.

Board/Commission Recommendation: ☐**Applicable -** ☒**Not Applicable**

Alternative(s): Council could elect not to approve the contract. Not approving this contract would result in:

- Not moving forward with a project that creates a more walkable and bike-able community as supported in many plans and citizen surveys.
- Continued distracted drivers and excessive speeding along Coffee Pot Drive.
- Pedestrians and cyclists not having a safe place to travel through this corridor.

MOTION

I move to: approve contract amendment for professional services with Paradigm Design, PC for the SIM-11t Coffee Pot Shared Use Path Improvements in the amount of $97,500 ($134,150 New Total Contract Value). subject to approval of the written contract by the City Attorney's Office.

AMENDMENT # 1
TO DEPARTMENTAL SERVICES CONTRACT

This Amendment to the Departmental Services Contract ("Contract") by and between the City of Sedona, an Arizona municipal corporation ("CITY") and Paradigm Design, PC ("CONTRACTOR") is made and entered into on this ____ day of _____, 20 _____ ("Effective Date").

RECITALS

A. WHEREAS, CITY and CONTRACTOR previously entered into an Contract for CONTRACTOR to perform certain services for CITY, in connection with Coffee Pot Drive Shared Use Path Feasibility Study (the "Project") on or about the 15th day of October, 2024; and

B. WHEREAS, CITY and CONTRACTOR now desire to amend that Contract to provide 30%, 90%, and 100% construction documents based on the 15% conceptual alignment. With addition of construction assistance, miscellaneous T&M, and reimbursable items allowance.

AMENDMENT

The parties agree to amend the following section(s) of the Contract as follows:

1. **SCOPE OF WORK**.
   A. Scope of Work.
   The "Scope of Work" attached as Exhibit A to the Contract is amended as follows: Design phase to produce construction documents (Exhibit B)

   Exhibit B, Applicable Sections as Amended, is attached hereto and incorporated by this reference.

2. **COMPENSATION; BILLING**.
   A. Compensation.
   The not to exceed amount of compensation the City agreed to pay the CONTRACTOR is amended from $36,650.00 to $134,150.00

   Exhibit B, Compensation as Amended, is attached hereto and incorporated by this reference.

ALL OTHER CONTRACT PRICES, TERMS, AND CONDITIONS REMAIN THE SAME.

CITY OF SEDONA, ARIZONA

_____
Anette Spickard, City Manager

ATTEST:

_____
JoAnne Cook, City Clerk

APPROVED AS TO LEGAL FORM:

_____
Kurt W. Christianson, City Attorney

PARADIGM DESIGN, PC

By:_____

Title:_____

I hereby affirm that I am authorized to enter into and sign this Contract on behalf of CONTRACTOR

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EXHIBIT A

DEPARTMENTAL CONTRACT FOR SERVICES FOR THE CITY OF SEDONA

This Contract ("CONTRACT") is made and entered into on this day of 10/15/2024, ("Effective Date"), by and between the City of Sedona, an Arizona municipal corporation ("CITY") and Paradigm Design, PC ("CONTRACTOR").

RECITALS

A. CITY intends to undertake a project for the benefit of the public and with public funds that is more fully set for in Exhibit A, Scope of Work.

B. CITY desires to retain the services of CONTRACTOR to perform certain services and produce the specific work as set forth in Exhibit A.

C. CONTRACTOR desires to provide CITY with the services and produce the specific work set forth in this Exhibit A in accordance with the practices and standards set forth in this Contract; and

D. CITY and CONTRACTOR desire to memorialize their agreement with this document.

AGREEMENT

The parties agree as follows:

1. **SCOPE OF WORK**.
   A. Scope of Work. The CONTRACTOR agrees to perform everything required to be performed and furnish all labor, materials, necessary tools, expendable equipment, and all utility and transportation services required to perform certain services and complete all work in connection with the Coffee Pot Drive Shared Use Path Feasibility Study (the "Project") as set forth in **Exhibit A** "Scope of Work" attached hereto and incorporated herein by reference. The work includes any and all Services reasonably contemplated, normally included, and necessary to complete the Scope of Work in a professional and timely manner with due diligence and in strict compliance with the applicable Maricopa Association of Government (MAG) Specifications and CONTRACTOR'S proposal as set forth in Exhibit A. The CONTRACTOR shall work closely with the CITY and its designated employees to complete the Project. The CONTRACTOR shall perform the work required by and outlined in Exhibit A to the satisfaction of the City, exercising that degree of care, skill, diligence and judgment that is ordinarily exercised under similar circumstances by reputable members of its trade or profession in conformity with the best standards in the industry at the time and locality where the services are provided.

   B. Change in Scope of Work. If deemed necessary by CITY, the CONTRACTOR and CITY will confer to further define specific tasks in the Scope of Work and estimate the amount of time and cost required for those tasks. Any work that is different from or in addition to the work specified in Exhibit A shall constitute a change in the Scope of Work. No such change, including any additional compensation, shall be effective or paid unless authorized by written amendment executed by the City Manager and CONTRACTOR. If CONTRACTOR

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proceeds without such written authorization, CONTRACTOR shall be deemed to have waived any claim for unjust enrichment, *quantum meruit* or implied contract. Except as expressly provided herein, no agent, employee or representative of CITY shall have the authority to agree to any changes or modifications, either directly or implied by a course of action, relating to the terms and scope of this CONTRACT.

C. Inspection; Acceptance. All work and Services performed by CONTRACTOR will be subject to inspection and acceptance by the CITY at reasonable times during CONTRACTOR'S performance. If requested by CITY, CONTRACTOR will provide CITY with any record drawings at completion of the project in such form and detail as the CITY may require.

D. Time. Time is of the essence for this Contract. The CONTRACTOR shall complete all Services timely, efficiently and in accordance with any time schedule set forth in Exhibit A.

E. Corrections. CONTRACTOR shall promptly provide, at no additional cost to CITY, any and all corrections, modifications, additional documents, or other items that may be necessary to correct any errors and/or omissions in the work or services, documents, designs, specification, and/or drawings provided by the CONTRACTOR.

F. Key Personnel. CONTRACTOR shall utilize the key personnel, if any, listed in Exhibit A or in the proposal to the CITY. CONTRACTOR shall not change key personnel, not utilize the listed key personnel, or utilize any other key personnel without prior written approval of the CITY. Any substituted personnel shall have the same or higher qualifications as the personnel being replaced.

2. **COMPENSATION; BILLING**.

A. Compensation. The CITY agrees to pay CONTRACTOR as compensation for the work and/or services performed in accordance with the Scope of Work according to the fee schedule set forth in **Exhibit A**, if any, an amount not to exceed **$**36,650.00. Except as otherwise set forth in this CONTRACT, billing and payment will be in accordance with the conditions set forth in **Exhibit A**.

B. Payment. Unless otherwise agreed to by the CITY in writing, CONTRACTOR will submit monthly invoices to the CITY. CITY will process and remit payment within thirty (30) days and payment will be delinquent only thirty (30) days after the date an invoice is received by the CITY. Each invoice shall set forth a general description of the work performed, in accordance with the Scope of Work, and for the hours billed, if applicable. Payment may be subject to or conditioned upon CITY'S receipt of unconditional waivers and releases on final payment from all subconsultants. If a dispute over payment arises, and during all claims resolution proceedings, CONTRACTOR shall continue to render the services in a timely manner. Payment by the CITY does not constitute acceptance by the CITY of the work and/or services or CONTRACTOR'S performance, nor does payment constitute a waiver of any rights or claims by the CITY.

C. Expenses. Any fee required by any governmental agency in order for CONTRACTOR to accomplish a task hereunder may be reimbursed by CITY, however, no reimbursable

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expenses or costs of any kind shall be paid by the CITY unless expressly approved by the CITY in writing before they are incurred. Any approved reimbursable expenses will be paid at the actual cost without any markup and will be paid only after they are incurred.

D. Taxes. CONTRACTOR shall be solely responsible for any tax obligations resulting from CONTRACTORS performance of this CONTRACT. The CITY shall have no obligation to pay any amounts for taxes, of any type, incurred by the CONTRACTOR.

3. **PROFESSIONAL RESPONSIBILITY**. The CONTRACTOR hereby warrants that it is qualified by experience, necessary work force and materials to assume the responsibilities and render the Services described herein and has all requisite corporate authority and professional licenses in good standing that are required by law. CONTRACTOR warrants that the services rendered will conform to the requirements of this CONTRACT and the professional standards of the CONTRACTOR'S trade or field. The CITY has no obligation to provide CONTRACTOR with any equipment, business registrations, licenses, tools, or materials required to perform the Scope of Work. CONTRACTOR shall maintain a valid license through the Arizona Register of Contractors for all types of work or services provided for the Project required by A.R.S. §32-1122 and related provisions and obtain a business license from the CITY if applicable.

4. **COMPLIANCE WITH LAW**. It is required that the work and services to be performed by CONTRACTOR hereunder shall be done in compliance with all applicable laws, ordinances, rules and regulations in effect on the date of this CONTRACT. Any subsequent changes in applicable laws, ordinances, rules or regulations that necessitate additional work shall constitute a change in the Scope of Work. This CONTRACT shall be read to include each, and every provision of law and any clause required by law to be included and this CONTRACT shall be enforced as though such provisions were included.

5. **INDEMNIFICATION**. To the fullest extent permitted by law, CONTRACTOR will indemnify, defend and hold harmless CITY, and each council member, officers, boards, commissions, officials, employee or agent thereof (collectively the CITY and any such person being herein called an "Indemnified Party"), for, from and against any and all losses, claims, damages, liabilities, costs and expenses (including, but not limited to, reasonable attorneys' fees, court costs and the costs of appellate proceedings) to which any such Indemnified Party may become subject, under any theory of liability whatsoever ("Claims") to the extent that such Claims (or actions in respect thereof) relate to, arise out of, or are caused by, or in connection with the negligent acts or omissions, recklessness or intentional misconduct of CONTRACTOR, its officers, employees, agents or any tier of subcontractor in connection with CONTRACTORS work or Services in the performance of this CONTRACT. In consideration of the award of this Agreement, CONTRACTOR agrees to waive all rights of subrogation against the Indemnified Party for losses arising from the work or Services performed by CONTRACTOR for the CITY. The amount and type of insurance coverage requirements set forth below will in no way be construed as limiting the scope of the indemnity in this Section. This indemnification survives the expiration or termination of this CONTRACT.

6. **INSURANCE**.

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A. General:

1. The CONTRACTOR agrees to procure and maintain in force during the term of this Agreement, at its own cost, the following coverages as requested by CITY, either in the initial bid, or prior to commencement of particular tasks. The CONTRACTOR shall submit to CITY before any work is performed, certificates from the CONTRACTOR'S insurance carriers indicating the presence of coverages and limits of liability as follows:

2. Worker's Compensation Insurance:

   Coverage A: Statutory benefits as required by the Labor Code of the State of Arizona.

   Coverage B: Employer's Liability

Bodily Injury by accident	$1,000,000 each accident
Bodily Injury by disease	$1,000,000 policy limit
Bodily Injury by disease	$1,000,000 each employee

3. Commercial General or Business Liability Insurance (Occurrence Form) with minimum combined single limits of ONE MILLION DOLLARS ($1,000,000.00) each occurrence and TWO MILLION DOLLARS ($2,000,000.00) general aggregate.

4. Automobile Liability Insurance with minimum combined single limits for bodily injury and property damage of not less than ONE MILLION DOLLARS ($1,000,000.00) for any one occurrence, with respect to each of the CONTRACTOR'S owned, hired or non-owned automobiles assigned to or used in performance of the Services. Certificate to reflect coverage for "Any Auto, All Owned, Scheduled, Hired or Non-Owned."

5. Professional Liability coverage with minimum limits of ONE MILLION DOLLARS ($1,000,000.00) each claim and TWO MILLION DOLLARS ($2,000,000.00) general aggregate, if professional services are utilized by CONTRACTOR for design and performance of the Project. If approved by CITY, evidence of qualified self-insured status may be substituted for one or more of the foregoing insurance coverages. In the event the policy is written on a "claims made" basis, the CONTRACTOR warrants that any retroactive date shall precede any work on the Project. Coverage must have no exclusion for design-build projects.

B. CONTRACTOR shall procure and maintain the minimum insurance coverages listed herein. Such coverages shall be procured and maintained with forms and insurers acceptable to CITY, acceptance of which shall not be unreasonably withheld. All coverages shall be continuously maintained to cover all liability, claims, demands and other obligations assumed by the CONTRACTOR pursuant this Agreement. In the case of any claims made to the policy, the necessary retroactive dates and extended reporting periods shall be procured to maintain such continuous coverage.

C. All policies must be written by insurance companies whose rating, in the most recent AM Best's Rating Guide, is not less than A-VII or higher, unless CONTRACTOR obtains prior written approval of CITY.

D. A Certificate of Insurance shall be completed by the CONTRACTOR'S insurance agent(s) as evidence that policies providing the required coverages, conditions and minimum limits

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are in full force and effect and shall be subject to review and approval by CITY. The Certificate shall identify this CONTRACT and shall provide that the coverages afforded under the policies shall not be canceled, terminated or limits reduced until at least thirty (30) days prior written notice has been given to CITY. The completed Certificate of Insurance shall be sent to:

City of Sedona
102 Roadrunner Drive
Sedona, AZ 86336
ATTN: City Clerk

E. Failure on the part of CONTRACTOR to procure or maintain policies providing the required coverages, conditions and minimum limits shall constitute a Material Breach of Contract upon which CITY may immediately terminate this CONTRACT or, at its discretion, CITY may procure or renew any such policy or any extended reporting period thereto and may pay any and all premiums in connection therewith, and all monies so paid by CITY shall be repaid by the CONTRACTOR to CITY upon demand, or CITY may offset the cost of the premiums against any monies due to CONTRACTOR from CITY.

F. CITY reserves the right to request and receive a certified copy of any policy and any pertinent endorsement thereto. CONTRACTOR agrees to execute any and all documents necessary to allow CITY access to any and all insurance policies and endorsements pertaining to this Project.

G. All policies shall provide primary coverage and waivers of subrogation by endorsement or otherwise. A waiver of subrogation shall be effective as to any person or entity even though that person or entity would otherwise have a duty of indemnification, contractual or otherwise, did not pay for the insurance premium directly or indirectly and whether or not the person or entity had an insurable interest in the property damaged.

H. The following policies shall include Additional Insured endorsements: Automobile Liability Insurance and Commercial General Liability.

I. CITY reserves the right to require higher limits of liability coverage if, in the CITY's opinion, operations or services create higher than normal hazards.

7. **NON-ASSIGNABILITY**. Neither this CONTRACT, nor any of the rights or obligations of the parties hereto, shall be assigned by either party without the written consent of the other.

8. **TERM; TERMINATION**.

A. Term. This CONTRACT shall terminate on 10/15/2025, or at such earlier time as all work included in the Scope of Work is completed or the CONTRACT otherwise terminates as provided herein.

B. Termination for Convenience. This CONTRACT is for the convenience of the CITY and may be immediately terminated without cause after receipt by the CONTRACTOR of written notice by the CITY. Upon termination for convenience, CITY shall pay

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CONTRACTOR for all work previously authorized and performed prior to the date of termination. If, however, CONTRACTOR has substantially or materially breached the standards and terms of this CONTRACT, CITY shall have any remedy or right of set-off available at law and equity. If applicable, upon any termination of this CONTRACT, no further payments shall be due from the CITY to CONTRACTOR unless and until CONTRACTOR has delivered to the CITY full sized and usable copies of all documents, designs, drawings, and specifications generated by CONTRACTOR in relation to the Project or this CONTRACT. No other payments, including any payment for lost profit or business opportunity, and no penalty shall be owed by CITY to CONTRACTOR in the event of termination upon notice. After termination, CONTRACTOR may complete other such work as it deems necessary, except that such work will be at its own expense and there shall be no "termination charge" whatsoever to CITY.

C. Termination for Cause. CITY may terminate this CONTRACT for cause if CONSULTANT fails to cure any breach of this CONTRACT within seven days after receipt of written notice specifying the breach.

D. Extension for Procurement Purposes. Upon expiration of the Term of this CONTRACT, including the initial term and any renewals, at the CITY'S discretion, this CONTRACT may be extended on a month-to-month basis for a maximum of six (6) months to allow for the CITY to complete its procurement processes to select a vendor to provide services/materials similar to those provided under this CONTRACT. There are no automatic renewals of this CONTRACT.

E. Appropriation of Funds. Every payment obligation of the CITY under this CONTRACT is conditioned upon the availability of funds appropriated or allocated for payment of such obligation. If funds are not allocated and available for the continuance of this CONTRACT, This CONTRACT may be terminated by the CITY at the end of the period for which funds are available. No liability shall accrue to the CITY in the event this provision is exercised, and CITY shall not be obligated or liable for any future payments or for any damages resulting from termination under this provision.

9. **VENUE; JURISDICTION; JURY TRIAL WAIVER**. This CONTRACT shall be governed by the laws of the State of Arizona, and any legal action concerning the provisions hereof shall be brought in the County of Yavapai, State of Arizona. Both parties hereby waive any right to a jury trial which they may otherwise have in the event of litigation arising out of this CONTRACT or the subject matter thereof and consent to a trial to the court.

10. **INDEPENDENT CONTRACTOR**. CONTRACTOR is an independent contractor. Notwithstanding any provision appearing in this CONTRACT and any exhibits and/or addenda, all personnel assigned by CONTRACTOR to perform work under the terms of this CONTRACT shall be and remain employees or agents of the CONTRACTOR for all purposes. The CITY does not have the authority to supervise or control the actual work of CONTRACTOR, its employees or subcontractors. CONTRACTOR shall make no representation that it is the employee of CITY for any purpose.

11. **NO WAIVER**. Delays in enforcement or the waiver of one (1) or more defaults or breaches of this CONTRACT by CITY shall not constitute a waiver of any of the other terms or obligations

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of this CONTRACT.

12. **ENTIRE AGREEMENT**. This CONTRACT, together with the attached Exhibits, is the entire agreement between the CONTRACTOR and CITY, superseding all prior oral or written communications. If anything in the attached Exhibits is inconsistent with the provisions of this CONTRACT, the provisions of this CONTRACT shall govern. None of the provisions of this CONTRACT may be amended, modified or changed except by written amendment executed by both parties. This CONTRACT will be construed and interpreted according to its plain meaning, and no presumption will be deemed to apply in favor of or against the party drafting the CONTRACT. In the event any term or provision of this CONTRACT is held to be illegal or in conflict with any law of the United States or Arizona or any local law, the validity of the remaining provisions shall not be affected, and this CONTRACT shall be construed and enforced as if it did not contain the term or provision.

13. **NON-DISCRIMINATION**. CONTRACTOR, its agents, employees, and subcontractors shall not discriminate in any employment policy or practice. "Discrimination" means to exclude individuals from an opportunity or participation in any activity or to accord different or unequal treatment in the context of a similar situation to similarly situated individuals because of race, color, gender, gender identity, sexual orientation, religion, national origin or ancestry, marital status, familial status, age, disability, or Veteran status. (Ordinance 2015-10) (2015).

14. **COMPLIANCE WITH FEDERAL AND STATE LAWS**.

    A. In the performance of this CONTRACT, CONTRACTOR will abide by and conform to any and all federal, state and local laws.

    B. Under the provisions of A.R.S. §41-4401, CONTRACTOR hereby warrants to CITY that CONTRACTOR and each of its subcontractors will comply with, and are contractually obligated to comply with, all Federal Immigration laws and regulations that relate to their employees and A.R.S. §23-214(A) (hereinafter "Contractor Immigration Warranty"). A breach of the Contractor Immigration Warranty shall constitute a material breach of this CONTRACT and shall subject CONTRACTOR to penalties up to and including termination of this CONTRACT at the sole discretion of CITY. The CITY retains the legal right to inspect the papers of any contractor or subcontractor employee who works on this CONTRACT to ensure that the contractor or subcontractor is complying with the Contractor Immigration Warranty. CONTRACTOR agrees to assist the CITY in regard to any such inspections. CITY may, at its sole discretion, conduct random verification of the employment records of CONTRACTOR and any subcontractors to ensure compliance with the Contractor Immigration Warranty. CONTRACTOR agrees to assist CITY in regard to any random verification performed. Neither CONTRACTOR nor any subcontractor shall be deemed to have materially breached the Contractor Immigration Warranty if CONTRACTOR or any subcontractor establishes that it has complied with the employment verification provisions prescribed by Sections 274A and 274B of the Federal Immigration and Nationality Act and the E-Verify requirements prescribed by A.R.S. § 23-214, Subsection A.

    C. The provisions of this Section must be included in any contract CONTRACTOR enters into with any and all of its subcontractors who provide services under this CONTRACT or any

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subcontract. For the purposes of this paragraph, "Services" are defined as furnishing labor, time or effort by a contractor or subcontractor. Services include construction or maintenance of any structure, building, transportation facility or improvement to real property.

D. If applicable (CONTRACTOR is a natural person), CONTRACTOR shall execute the required documentation and affidavit of lawful presence as set forth in ARS §1-502/8 USC §1621 (**Exhibit B**).

E. CONTRACTOR understands and acknowledges the applicability to it of the Americans with Disabilities Act, the Immigration Reform and Control Act of 1986 and the Drug Free Workplace Act of 1989. If applicable, CONTRACTOR must also comply with A.R.S. § 34-301, "Employment of Aliens on Public Works Prohibited," and A.R.S. §34-302, as amended, "Residence Requirements for Employees."

15. **DISPUTE RESOLUTION**. The parties agree in good faith to attempt to resolve amicably, without litigation, any dispute arising out of or relating to this CONTRACT. In the event any dispute cannot be resolved through direct discussions, the parties may endeavor to settle the dispute though voluntary mediation. If the dispute cannot be resolved, the matter may then be submitted to the judicial system.

16. **DELAYS**. CONTRACTOR shall not be responsible for delays which are due to causes beyond CONTRACTOR'S reasonable control. In case of any such delay, any deadline established as part of the Scope of Work shall be extended accordingly.

17. **REMEDIES UPON BREACH**. If any party to this CONTRACT materially breaches the terms of the CONTRACT, the non-breaching party may exercise any and all remedies available to them under Arizona law, including, without limitation, if applicable, bringing a lawsuit for monetary damages or specific performance. THE PARTIES HERETO EXPRESSLY COVENANT AND AGREE THAT IN THE EVENT OF LITIGATION ARISING FROM THIS CONTRACT, NEITHER PARTY SHALL BE ENTITLED TO AN AWARD OF ATTORNEY FEES, EITHER PURSUANT TO CONTRACT, PURSUANT TO A.R.S. §12-341.01 (A) AND (B), OR PURSUANT TO ANY OTHER STATE OR FEDERAL STATUTE, COURT RULE, CASE LAW, OR COMMON LAW.

18. **CONFLICT OF INTEREST**. From the date of this CONTRACT through the termination of its Service to CITY, CONTRACTOR shall not accept, negotiate or enter into any contract or agreements for services with any other party that may create a substantial interest, or the appearance of a substantial interest in conflict with the timely performance of the work or ultimate outcome of this CONTRACT and/or adversely impact the quality of the work under this CONTRACT without the express approval of the City Manager and the City Attorney. Whether such approval is granted shall be at the sole discretion of the City Manager and the City Attorney. The parties hereto acknowledge that this CONTRACT is subject to cancellation pursuant to the provisions of A.R.S. §38-511.

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19. **NOTICE**. Any notice or communication between CONTRACTOR and CITY that may be required, or that may be given, under the terms of this Agreement shall be in writing, and shall be deemed to have been sufficiently given when directly presented or sent pre-paid, first-class United States Mail, addressed as follows:

CITY:	City of Sedona Attn: City Manager or City Department Head 102 Roadrunner Drive Sedona, AZ 86336
CONTRACTOR:	Paradigm Design, PC Attn: Stephen Orosz, PE 4250 N. Drinkwater Blvd., Ste 120 Scottsdale, AZ 85251

20. **EXHIBITS**. The following exhibits, are a part of this CONTRACT and are incorporated herein by reference:
Exhibit A: Scope of Work
Exhibit B: Affidavit of Lawful Presence
In the event of any conflict between the terms of an Exhibit and this CONTRACT, the terms of the CONTRACT shall control.

21. **NOTICE TO PROCEED**. Unless otherwise noted by CITY, acceptance of this CONTRACT constitutes official notice to proceed with the work.

22. **PUBLIC RECORDS**. Notwithstanding any provisions of this CONTRACT regarding confidentiality, secrets, or protected rights, CONTRACTOR acknowledges that all documents provided to the CITY may be subject to disclosure by the Arizona public records law under A.R.S. §39-121 and related provisions. In the event CONTRACTOR objects to any disclosure, CONTRACTOR agrees to handle all aspects related to the request including properly communicating with the requester and timely responding with information, and CONTRACTOR agrees to indemnify CITY from an claims, actions, lawsuits, damages and losses resulting from CONTRACTOR's objection to the disclosure.

23. **NO BOYCOTT OF ISRAEL OR USE OF FORCED LABOR OF ETHNIC UYGHURS IN PEOPLES REPUBLIC OF CHINA**. As applicable, CONTRACTOR certifies and agrees that it is not currently engaged in and for the duration of the CONTRACT will not engage in a boycott of Israel, as that term is defined in A.R.S. §35-393 and will not use forced labor or goods or services produced by forced labor of ethnic Uyghurs in the People's Republic of China (PRC) or any contractors, subcontractors or suppliers that use forced labor or goods or services produced by forced labor of ethnic Uyghurs in the PRC as provided by A.R.S. §35-394.

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CITY OF SEDONA, ARIZONA

Signed by:
Kurt Harris 10/24/2024 | 9:33:06 AM MST
C58CF0C697034FE...

Kurtis Harris, PE
Director of Public Works/City Engineer

PARADIGM DESIGN, PC

By: DocuSigned by:
Bill M Hadlock
DFCC9CDB7D014FD...

Title: Principal

I hereby affirm that I am authorized to enter into and sign this CONTRACT on behalf of CONTRACTOR

ATTEST:

DocuSigned by:
JoAnne Cook 10/24/2024 | 9:41:07 AM MST
F3F3574389784E3...

JoAnne Cook, City Clerk

APPROVED AS TO LEGAL FORM:

DocuSigned by:
Kurt Christianson 10/24/2024 | 7:02:39 AM MST
DA6BB971B6AF411...

Kurt W. Christianson, City Attorney

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EXHIBITS

Exhibit A

☒ Scope of Work and Associated Costs.

Exhibit B

☐ Affidavit of Lawful Presence as set forth in ARS 1-502/8 USC §1621.

☒ Affidavit of Lawful Presence not required as this consultant is a corporation (Inc., LLC, LLP).

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October 10, 2024

Sandra Phillips, PE, CFM, ENV SP
Assistant Public Works Director
Public Works Department
City of Sedona
102 Roadrunner Drive
Sedona, AZ 86336-3710
sphillips@sedonaaz.gov
928-204-7111 (Main Line)
928-203-5076 (Direct)

Re: Proposal for Civil Engineering Services
Coffee Pot Drive Shared Use Path Feasibility Study
Sedona, Arizona

Dear Ms. Phillips:

On behalf of Paradigm Design, I am pleased to provide this proposal for the Coffee Pot Drive Shared Use Path Feasibility Study located in Sedona, Arizona. The shared use path would be evaluated for two sections: SR89A to Sandborn Drive and from Mountain Shadows Drive, south to Gun Fury Road. We have evaluated the information that was provided and our phone conversations and have identified the following scope of services and associated fee that will be necessary for this project.

SCOPE OF SERVICES

In general, the scope of services will obtain existing topography and right of way (based on available mapping) along Coffee Pot Drive between SR-89A and Sanborn Drive, and Mountain Shadows Drive south to Gun Fury Road. Once the existing features along the roadway are known, the conceptual alignment(s) for a 10-foot wide shared use path would be laid out along the eastside of Coffee Pot Drive, westside of Andante, and one other alignment that combines east side and westside alignment to minimize major implementation features that are identified. Conceptual cost estimates for each project alignment alternative identified will be prepared to compare the potential construction costs associated with each alternative. A draft and final feasibility memorandum would be prepared to assist the city in determining which alignment alternative to pursue for final design and construction.

Project Feasibility Study

The project feasibility study will be separated into two parts: Part 1: Coffee Pot Drive, SR-89A to Sanborn Drive, and Part 2: Coffee Pot Drive from Sanborn Drive to Mountain Shadows Drive to Gun Fury Road. An evaluation of the existing sidewalk/SUP between Sanborn Drive and Mountain Shadows Drive will also be included in this feasibility study. An analysis of how the proposed SUP connects to existing sidewalks/SUP's within the project limits will be evaluated. This will allow the City to evaluate possible funding of either or both sections of the proposed shared use path.

- Locate existing front property corners along subject road to establish limits of right-a-way. Topographic survey Coffee Pot Drive, and Mountain Shadows Drive from ROW to ROW with 25' beyond the right of way, including one (1) foot contours and visible surface features.
- Prepare project base map at 1"=20' scale
- Identify up to three (3) possible alignments for the Coffee Pot Drive Shared Use Path.

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- For each alignment, identify the following that could occur with the alignment:
  - Driveway modifications needed
  - Drainage modifications needed
  - Removal of obstructions in right of way
  - Removal of vegetation within right of way
  - Limits of grading needed
  - Need for Temporary Construction Easements (TCE's)
  - Need for New Right-of-Way acquisition(s).
  - Above ground utility relocations
  - Mailbox relocations
  - Existing public street signage relocations
  - Evaluate connections to existing sidewalks/SUP's along project limits
- Establish preliminary construction cost estimate for each alternative using lump sum values for the various project elements:
  - Small and Large Driveway Modifications
  - Minor and Major Utility Relocations
  - Minor and Major Drainage Improvements
  - Curb and Gutter
  - Path Surface
  - Signage and Permanent Markings
  - Temporary Construction Signs and Markings
  - Needed Rights-of-Way (Square footage)
  - Mailbox relocations.
  - Any retaining walls that are needed to reduce impacts to private property.
- Attend meetings with City Staff to review project alternatives (up to two in person)
- Prepare project feasibility summary Memorandum with exhibits (draft and final)

Expense Allowance

- Travel
- Printing, postage, & courier services

FEE SUMMARY

Site Topo Mapping and Survey Base Maps	$14.700.00
Shared Use Path Analysis and Evaluation (up to 3 alignments)	$11,400.00
Conceptual Cost Estimating (up to 3 alignments)	$2,000.00
Meetings with Staff (up to 2)	$3,500.00
Feasibility Study Memorandum with Exhibits	$4,600.00
Expense Allowance	$450.00
TOTAL	**$36,650.00**

EXPENSES – REIMBURSABLE ITEMS

Fees associated with permits, blueprinting, or applications will be reimbursed at a rate of cost + 10%. Mileage will be reimbursed at current Federal Mileage rates.

Docusign Envelope ID: A12B1DDF-0FB9-4EFE-9467-82D104975374

EXCLUDED SERVICES

- Wetland evaluation, identification, delineation, mitigation, or permitting
- Archeological Studies or Historical preservation
- Endangered/Threatened species
- Phase I and other environmental work
- Soil borings, pavement section design and other geotechnical work
- Traffic Impact Study(s)
- Easement documentation or exhibit preparation
- Rezoning, property split(s) or consolidation(s)
- Addressing or administering variances/waivers
- Dry utility service design (gas, electric, etc.)
- Downstream stormwater/adequate outfall analysis
- Public utility extensions or other public utility improvements
- Public road improvements including widening and turn lanes
- Landscape irrigation plan
- Site lighting plan and details
- Signage
- Construction testing or staking services
- As-built survey

Please note that although the above services are excluded from our proposal at this time, we can add them into our scope of work should they become necessary.

I look forward to working with you on this project. If adjustments to my proposed scope of services are required, please contact me and I can make the necessary changes in scope and fee. If no changes are desired, please send the city's professional service agreement and we will execute it and send it back to you.

Should you have any questions, please feel free to contact Steve Orosz at (602) 767-4606.

Sincerely,

PARADIGM DESIGN

Bill M Hadlock, PE
Principal

Stephen A Orosz, PE
Regional Civil and Transportation Director

EXHIBIT B, Compensation as Amended

February 6, 2025

Sandra Phillips
Assistant Public Works Director
Public Works Department
City of Sedona
102 Roadrunner Drive
Sedona, AZ 86336
sphillips@sedonaaz.gov

Re: Contract Amendment Proposal for Civil Engineering Design Services
Coffee Pot Shared Use Path Design Services to 100% Design/Bid Ready
Sedona, AZ
Paradigm Project No. 2410114PH

Dear Sandy:

On behalf of **Paradigm Design**, I am pleased to provide this proposal to amend our contract for the Coffee Pot Shared Use Path Project, located in Sedona, Arizona. The project includes the construction of a shared use pathway (SUP) along Coffee Pot Drive, between SR-89A and Shadow Mountain Road, and Shadow Mountain Drive between Coffee Pot Drive and Gun Fury Road. The project design will be based on the 15% conceptual alignment prepared by our firm. We have evaluated the information that was provided, our concept development work on this Project, and have identified the following scope of services and associated fee that will be necessary for this project.

SCOPE OF SERVICES

30% Construction Documents

- Update project plans per 15% review comments and direction.
- Update field survey and set property corners along SUP.
- Identify driveway match limits with SUP construction.
- Identify private property drainage improvement needs.
- Identify roadway and private property drainage improvements.
- Prepare 30% Bid Schedule and Engineers Estimate of Probable Costs.

90% Construction Documents

- Develop driveway match limits with SUP construction.
- Develop private property drainage improvement needs.
- Develop roadway drainage improvements.
- Develop signing and striping plans.
- Develop SUP signage.
- Develop Special Provisions
- Prepare and record Record of Survey.
- Prepare 90% Bid Schedule and Engineers Estimate of Probable Costs.

100% Construction Documents

- Finalize 90% project plans for bidding purposes.
- Finalize plan specifications, and special provisions for bidding purposes.
- Finalize Bid Schedule.

BID /CONSTRUCTION PHASE SERVICES (T&M)

- Assist bidding questions and RFI's during bidding and award of construction contract.
- Review shop drawings & construction RFI's, as needed.

DESIGN TASK CONTINGENCY (T&M)

- As directed by the city, address any items not covered in the scope of work that may arise during the course of the design.

EXPENSE ALLOWANCE

- Travel and Mileage
- Printing, postage, & courier services

FEE SUMMARY

Existing Contract	
Feasibility Study	$36,650.00
Amendment – Final Design	
Construction Plans 30% and Stake Property Corners	$34,000.00
Construction Plans 90% and Record of Survey	$43,000.00
Construction Plans 100%	$ 9,500.00
Bidding and Construction Assistance	$ 2,500.00
Miscellaneous Tasks (T&M) Max	$ 7,500.00
Expenses Reimbursable Items Allowance	$ 1,000.00
Fee Total - Amendment	**$97,500.00**
Fee Total - Contract	**$134,150.00**

EXPENSES – REIMBURSABLE ITEMS

- Mileage (current Federal Rate)
- Printing (Cost + 10%)

EXCLUDED SERVICES

- Wetland evaluation, identification, delineation, mitigation, or permitting
- Archeological Studies or Historical preservation
- Endangered/Threatened species
- Traffic Impact Study(s)
- Easement documentation or exhibit preparation
- Rezoning, property split(s) or consolidation(s)
- Addressing or administering variances/waivers

- Dry utility service design (gas, electric, etc.)
- Downstream storm-water/adequate outfall analysis
- Public utility extensions or other public utility improvements
- Landscape or irrigation plan
- Roadway lighting plan
- Construction testing or staking services
- Site Observations
- Record Drawings & As-Built Certifications
- Attendance at Public Meetings

Please note that the above services are excluded from our proposal at this time. We can add them to our scope of work should they either be necessary or not provided to us, after city approval of the contract modification.

SCHEDULE

The following is a draft schedule for the completion of this project. Prior to our kick-off meeting, a final project schedule will be provided. This schedule assumes a contract approval date of March 26, 2025 and two weeks for staff review.

	Duration	Submittal Date
Construction Documents		
30% PS&E	4 weeks	April 25, 2025
60% PS&E	6 weeks	June 6, 2025
90% PS&E	4 weeks	July 18, 2025
100% Bid Package	2 weeks	August 15, 2025
Bidding and Construction Phase Services	As needed	

CLOSURE

We look forward to working with you on this project. If adjustments to my proposed scope of services are required, please contact me and I can make the necessary changes in scope and fee. If no changes are desired, please send us the city's agreement and we will send it back to you.

Should you have any questions, please feel free to contact me at (602) 767-4606.

Sincerely,

PARADIGM DESIGN

Stephen A Orosz, PE, PTOE, CFM
Regional Civil and Transportation Manager

Bill M. Hadlock, PE
Principal


LEGEND
EXISTING SHARED USE PATH
IN DESIGN
EXHIBIT B
N
MAXWELL HOUSE DRIVE
SANBORN DRIVE
GUN FURY ROAD
MOUNTAIN SHADOWS DRIVE
IRIS LANE
GRASSHOPPER LANE
COFFEE POT DRIVE
89A
This map is designed to provide as-is information only. The data is not accurate to engineering or surveying standards. The City of Sedona is not liable or responsible for loss or damages rising from the data contained on this map.

Agenda Item: 3f
Proposed Action & Subject: 1) Approve acceptance of the FY 2022 Emergency Management Performance Grant (EMPG) in the amount of $42,239.49, and 2) Approve the Subrecipient Agreement between the Sedona Police Department and the Arizona Department of Emergency and Military Affairs (DEMA) as administrator of the grant funds.

Department	Police Department
Time to Present	N/A
Total Time for Item	N/A
Other Council Meetings	N/A
Exhibits	A. SPD-DEMA 2022 EMPG SP Agreement B. SPD-DEMA 2022 EMPG SP Award Letter C. SPD-DEMA 2022 EMPG Special Project Grant Application

Finance Approval	Reviewed 2/25/25 BGW
City Attorney Approval	Reviewed 2/25/25 KWC
City Manager's Recommendation	Recommend approval ABS 02/28/25

Expenditure Required	
	$ 0
Amount Budgeted	
	$ 500,000
Account No. (Description)	16-7245-00-4353 (miscellaneous grants contingency) then transferred to 16-6510-00-4354 (miscellaneous PD grants)

SUMMARY STATEMENT

Background: The Sedona Police Department was awarded monies from the State of Arizona Department of Emergency and Military Affairs (DEMA) for their FY22 Emergency Management Performance Grant (EMPG) for the purposes of purchasing equipment related to emergency management communications hardware and software, and allowable related costs. This is a pass-through grant with DEMA as the administrator of funds for county, city, tribal, and state emergency management agencies. The FY22 EMPG Grant is a reimbursement award with a 50% cost match, awarding monies for expenses that have already occurred and have been expended during the period of July 1st, 2023, through June 30th, 2024.

The total award for Sedona PD is $42,239.49, with the 50% cost match expended for approved equipment, supplies, and services up to $21,119.74. Stated another way, the Sedona Police Department is eligible to receive reimbursement for communications equipment in the amount of $21,119.74.

As the primary agency responsible for Emergency Management needs for the City of Sedona, the police department will utilize the EMPG reimbursement award to recover budgeted operating expenses used to purchase in-car patrol laptop computers, portable and in-car radios, and applicable radio-related costs.

This grant was not expected and therefore not budgeted; however, because it is a reimbursement for funds expended in a previous fiscal year, there is no additional expenditure required.

Climate Action Plan/Sustainability Consistent: ☐**Yes -** ☐**No -** ☒**Not Applicable**

Board/Commission Recommendation: ☐**Applicable -** ☒**Not Applicable**

Alternative(s): Council can elect not to approve grant.

MOTION

I move to: approve acceptance and expenditure of the FY 2022 Emergency Management Performance Grant (EMPG) in the amount of $42,239.49, and approve the Subrecipient Agreement between the Sedona Police Department and the Arizona Department of Emergency and Military Affairs (DEMA).

SUBRECIPIENT AGREEMENT BETWEEN

Sedona Police Department
M5VJZN2SMSN5
AND

The Arizona Department of Emergency and Military Affairs
FOR

Emergency Management Performance Grant - EMF-2022-EP-00009-S01

WHEREAS, A.R.S. 41-4254(6) charges the Arizona Department of Emergency and Military Affairs (DEMA) with the responsibility of administering funds.

THEREFORE, it is agreed that DEMA shall provide funding to Sedona Police Department (Radio/MDC Project) under Catalog of Federal Domestic Assistance (CFDA) # 97.042 under the terms of this Subrecipient Agreement (Agreement).

1. **PURPOSE OF AGREEMENT** - The purpose of this Agreement is to specify the rights and responsibilities of DEMA in administering the distribution of Emergency Management Performance Grant (EMPG) funds to Subrecipient, and to specify the rights and responsibilities of Subrecipient as the recipient of these funds.

2. **TERM OF AGREEMENT, TERMINATION AND AMENDMENTS** - This Agreement shall become effective on July 1, 2022, and shall terminate on March 31, 2025. The rights and responsibilities of DEMA and Subrecipient as described herein will survive termination of this agreement.

3. **DESCRIPTION OF SERVICES, SUPPLIES AND EQUIPMENT** - Subrecipient shall use the funds provided under this Agreement solely for the purposes for which these funds have been provided, as documented by the Subrecipient's grant application as approved by DEMA, a copy of which is attached as Exhibit III.
    a. The FY 2022 EMPG covers eligible costs from July 1, 2022 - March 31, 2025 (the "Agreement Period"). The funds awarded in the grant agreement shall only be used to cover allowable costs that are incurred during the Agreement Period. Allowable costs are defined in the FY 2022 EMPG Notice of Funding Opportunity (EMPG NOFO), a copy of which is attached as Exhibit 3, the AZDEMA EMPG Local Programmatic Guidance and by this Agreement.
    b. All EMPG funded personnel must complete training requirements for the National Incident Management System (NIMS) as stated in the EMPG NOFO, and Subrecipient must provide DEMA with written proof of completion for each individual as soon as that individual's training is completed. All EMPG funded personnel must also participate in no less than three emergency management focused exercises run by either Subrecipient or DEMA during the Agreement Period.
    c. Finance & Administration - Subrecipient shall provide DEMA with complete documentation of all expenditures of funds provided under this Agreement as soon as such documentation becomes available to Subrecipient. Subrecipient shall provide all necessary financial and managerial resources to meet the terms and conditions of receiving funds under this Agreement. DEMA does not manage or take responsibility

for the Subrecipient's projects, and monitors projects (with regard to program eligibility and other requirements) only in order to protect the State's interests.

i. The FY 2022 EMPG program has a 50% cost match (cash or in-kind) requirement, pursuant to sections 611(j) and 613(a) of the Robert T. Stafford Disaster Relief and Emergency Assistance Act, (Pub. L. No. 93-288), as amended, (42 U.S.C. 5121 et seq.). Federal funds cannot exceed 50% of eligible costs. Unless otherwise authorized by law, federal funds cannot be matched with other federal funds. All funds received by Subrecipient through DEMA under this Agreement are agreed to be federal matching funds; Subrecipient shall be solely responsible for providing the other 50% (cash or in-kind) in order to obtain these federal matching funds.

ii. The Federal Emergency Management Agency (FEMA) administers cost matching requirements in accordance with 2 C.F.R. 200.306, and Subrecipient contributions must meet the standards of 2 C.F.R. 200.306 and all other applicable federal law.

4. **MANNER OF FINANCING** - DEMA shall:
   a. Provide the Subrecipient with 50% of the costs expended for approved services, supplies and equipment identified in Exhibit 4, up to $21,119.74. Subrecipient will use the funds provided by DEMA and the matching contribution made by the Subrecipient to acquire the services, supplies and equipment identified in part III of this Agreement.
   b. Payment made by DEMA to Subrecipient shall be on a reimbursement basis only and is conditioned upon receipt of proof of payment or other form of contribution, consisting of applicable, accurate and complete documentation, as determined by DEMA in its sole discretion. A listing of acceptable documentation is attached as Exhibit 4(b).

5. **FISCAL RESPONSBILITY** - For any funds received under this Agreement for which expenditure is disallowed by an audit exemption or otherwise by DEMA, the State, or Federal government, Subrecipient shall reimburse said funds to DEMA immediately.

6. **FINANCIAL AUDIT/PROGRAMATIC MONITORING** - Subrecipient shall comply with A.R.S. 35-214 and 35-215.
   a. Pursuant to 2 C.F.R. 200.501, if Subrecipient expends $750,000 or more from all federal funding sources during the fiscal year, Subrecipient shall submit an organization-wide financial and compliance audit report per Subpart F of 2 C.F.R. Part 200. Failure to comply with any requirements imposed as a result of an audit will suspend the release of federal funds by DEMA to Subrecipient until Subrecipient has met all such requirements.
   b. Subrecipient will be monitored periodically by DEMA, both programmatically and financially, to ensure that the project goals, objectives, performance requirements, timelines, milestone completion, budgets, and other related program criteria are being met. Monitoring will be accomplished through a combination of office-based reviews and onsite monitoring visits. Monitoring may involve aspects of the work involved under this Agreement including but not limited to the review and analysis of financial, programmatic, equipment, performance and administrative issues relative to each program, and may identify areas where technical assistance and other support may

be needed. Subrecipient shall participate in and cooperate with all such monitoring by DEMA, and shall provide access to all personnel, documents, and other records as may be requested from time to time by DEMA. Subrecipient also shall comply with all requests of DEMA that DEMA deems necessary to assure the parties' compliance with their obligations under this Agreement, including but not limited to circumstances in which DEMA is required or requested to provide information or records to FEMA or to any state or federal auditor; in such event, Subrecipient shall cooperate with DEMA and shall provide DEMA with all information and records necessary for DEMA to comply with any such request or requirement.

7. **APPLICABLE FEDERAL REGULATIONS** - Subrecipient must comply with all applicable Arizona and Federal law, whether or not specifically cited or referenced in this Agreement, and including but not limited to, as applicable, (1) 2 C.F.R. 200.0 through 200.345 (general provisions and requirements); (2) 200.400 through 200.475 (cost principles); (3) 200.500 through 200.521 (audit requirements); (4) the Appendices to 2 C.F.R. Part 200; and (5) 2 C.F.R. 3002.10.

8. **OTHER APPLICABLE REQUIRED STANDARDS** - In addition to complying with all applicable Federal and Arizona statutes and regulations, Subrecipient shall:
    a. Comply with the EMPG NOFO;
    b. Utilize equipment that appears on the U.S. Department of Homeland Security Authorized Equipment List (AEL) available at https://www.fema.gov/authorized-equipment-list
    c. prepare, retain, and be prepared to produce for examination by DEMA and/or FEMA, all records of all activities relating to this Agreement, to the extent necessary to comply with the requirements set forth in Subpart F-Audit Requirements, 2 CFR Chapter II, Audits of States, Local Governments, and Non-Profit Organizations, available at https://www.whitehouse.gov/omb/information-for-agencies/circulars/#numerical.
    d. Comply with National Incident Management System (NIMS) Implementation initiatives as outlined in the EMPG NOFO;
    e. Comply with all applicable Federal, State, and Local environmental and historic preservation (EHP) requirements and shall provide any information requested by FEMA to ensure compliance with applicable laws including but not limited to: the National Environmental Policy Act (NEPA; 42 U.S.C. 4321 through 4347); the National Historic Preservation Act (NHPA; 54 U.S.C. 300101 through 304112, and 305501 through 307108); the Endangered Species Act (ESA; 7 U.S.C. 136; and 16 U.S.C. 1531 through 1544), and Executive Orders on Floodplains (11988; see https://www.fema.gov/executive-order-11988-floodplain-management), Wetlands (11990; see https://www.fema.gov/executive-order-11990-protection-wetlands-1977) and Environmental Justice for Low Income & Minority Populations (12898; see https://www.fema.gov/executive-order-12898-environmental-justice-low-income-minority-populations-1994). Subrecipient shall not undertake any project having the potential to impact EHP resources without express prior written approval obtained through DEMA.
        i. Subrecipient must comply with all conditions placed on the project as the result of the EHP review. Subrecipient must complete the EHP Assessment Questionnaire form and provide the supporting documentation to include diagrams and photos. The EMPG Program Coordinator will review the

documents and forward to FEMA-Environmental Office. Any subsequent change to the project scope of work will require re-evaluation for compliance with these EHP requirements. If ground disturbing activities occur during project implementation, Subrecipient must ensure monitoring of ground disturbance and if any potential archeological resources are discovered, Subrecipient must immediately cease construction in that area and notify DEMA and the appropriate State Historic Preservation Office. Procurement and construction activities shall not be initiated prior to the full EHP review being completed by FEMA Office of Environmental and Historic Preservation.

9. **CONSULTANTS/TRAINERS/TRAINING PROVIDERS** - Billings for consultants/trainers/training providers must include at a minimum: a description of services; dates of services; number of hours for services performed; rate charged for services; and, the total cost of services performed. Consultant/trainer/training provider costs must be within the prevailing rates and must be obtained in compliance with the procurement rules applicable under Arizona law to the Subrecipient and 2 C.F.R. 200.317 through 200.326.

10. **CONTRACTORS/SUBCONTRACTORS** - Subrecipient may enter into written subcontract(s) for performance of certain of its functions under this Agreement in accordance with terms established under Arizona and Federal law. Subrecipient agrees and understands that no subcontract that Subrecipient enters into with respect to performance under this Agreement shall in any way relieve Subrecipient of any responsibilities for performance of its duties. Subrecipient shall give DEMA immediate notice in writing by certified mail of any action or suit filed and prompt notice of any claim made against Subrecipient by any subcontractor or vendor with respect to any work on any project funded in whole or in part under this Agreement.
11. **PERSONNEL AND TRAVEL COSTS** - All grant funds expended for personnel, travel, lodging, and per diem must be consistent with the Subrecipient's policies and procedures and the State of Arizona Accounting Manual (SAAM; see https://gao.az.gov/publications/saam); must be applied uniformly to both federally financed and other activities of the Subrecipient; and will be reimbursed at the most restrictive allowability and rates. At no time will Subrecipient's reimbursement(s) exceed the State rate established by the Arizona Department of Administration in the SAAM.

12. **PROCUREMENT** - Subrecipient shall comply with all of its own procurement rules/policies, all Federal procurement rules/policies (including but not limited to those outlined in this section VII of this Agreement), and all Arizona State procurement code provisions and rules. The intent is that all procurement contracts be awarded competitively, and the Subrecipient shall not enter into any noncompetitive (sole or single source) procurement unless express prior written approval is granted by DEMA.

13. **TRAINING AND EXERCISE** - Subrecipient agrees that any grant funds used for training and exercise must be in compliance with the EMPG NOFO. All training must be approved through the DEMA/Arizona Department of Homeland Security training request process prior to execution of training contract(s). All exercises must utilize the FEMA Homeland Security Exercise and Evaluation Program (HSEEP) Toolkit for exercise design, development and scheduling. Subrecipient further agrees to:

a. Submit the HSEEP Toolkit Exercise Summary to DEMA with all Exercise Reimbursement Requests within 90 days of completion of the exercise in question.
b. Post all exercises, documentation and After-Action Reports/Improvement Plans (AAR/IP) via the HSEEP Toolkit within 90 days of completion of the exercise in question; and
c. Within 90 days of completion of an exercise, or as prescribed by the most recent HSEEP guidance, the Subrecipient shall email the AAR/IP into the HSEEP Inbox (HSEEP@fema.dhs.gov) and copy the DEMA Grant Administration Office (grants@azdema.gov) and the DEMA Exercise Officer at exercises@azdema.gov.

14. **NONSUPPLANTING AGREEMENT** - Subrecipient shall not use funds obtained under this Agreement to supplant State or Local funds or other resources that would otherwise have been made available for any program/project funded in whole or in part under this Agreement. Further, if a position created by this grant is filled from within, the vacancy created by this action must be filled within thirty (30) days. If the vacancy is not filled within thirty (30) days, Subrecipient must stop charging this grant for the new position. Upon filling the vacancy, Subrecipient may resume charging for the grant position.

15. **COMPLIANCE WITH STATE AND FEDERAL LAWS REGARDING IMMIGRATION**- Subrecipient warrants its compliance with
    a. all State and Federal immigration laws and regulations relating to its employees and to employees of any contractor or subcontractor retained through Subrecipient to provide goods or services related to this Agreement, including but not limited to A.R.S. 23-214 and 41-4401.
    b. A breach of a warranty by Subrecipient regarding compliance with State or Federal immigration laws or regulations shall be deemed a material breach of this Agreement and Subrecipient may result in action by DEMA up to and including termination of this Agreement.
    c. DEMA retains the legal right to inspect the papers of any Subrecipient employee who works on the Agreement, and those of any employee of any contractor or subcontractor retained through Subrecipient to provide goods or services related to this Agreement, to ensure that Subrecipient is complying with the warranty under paragraph (a) above.

16. **PROPERTY CONTROL** - Effective control and accountability must be maintained by Subrecipient for all equipment and supplies acquired by Subrecipient under this Agreement. Subrecipient must adequately safeguard all such property and must assure that it is used for authorized purposes as described in the EMPG NOFO, the grant application as approved, and the C.F.R. Subrecipient shall exercise caution in the use, maintenance, protection and preservation of such property.
    a. Equipment acquired by Subrecipient with funds obtained in whole or in part under this Agreement shall be used by Subrecipient in the program or project for which it was acquired as long as needed, whether or not the program or project continues to be supported by funds obtained in whole or in part under this Agreement. Theft, destruction, or loss of such property shall be reported to DEMA immediately.
    b. Nonexpendable Property is property which has a continuing use, is not consumed in use, is of a durable nature with an expected service life of one or more years, has an

acquisition cost of $300 or more, and does not become a fixture or lose its identity as a component of other equipment or plant.

c. A Capital Asset is any personal or real property, or fixture that has an acquisition cost of $5,000 (Five Thousand Dollars) or more per unit and a useful life of more than one year. If the Capital Asset current value is equal to or greater than $5,000 at the end of life or required project activities is discontinued, Subrecipient must request and receive authorization from DEMA prior to disposition.
d. A Property Control Form shall be maintained for the entire scope of the program or project for which property was acquired through the end of its useful life and/or disposition. All Nonexpendable Property and Capital Assets must be included on the Property Control Form. Subrecipient shall provide DEMA a copy of the Property Control Form at the end of period of performance or no more than ninety (90) calendar days after the end of the Agreement. The Property Control Form shall be updated and a copy provided to DEMA no more than forty-five (45) calendar days after equipment disposition. Subrecipient agrees to be subject to equipment monitoring and auditing by state or federal authorized representatives to verify information.
e. A physical inventory of the Nonexpendable Property and Capital Assets must be taken and the results reconciled with the Property Control Form at least once every two years.

17. **DEBARMENT CERTIFICATION** - Subrecipient agrees to comply with the Federal Debarment and Suspension regulations as outlined in the "Certification Regarding Debarment, Suspension, Ineligibility and Voluntary Exclusion – Lower Tier Covered Transactions" attached as Exhibit 17.

18. **FUNDS MANAGEMENT** - Subrecipient must maintain funds received under this Agreement in a separate account and cannot mix these funds with funds from other sources. Subrecipient must manage funds according to applicable Federal regulations for administrative requirements, costs principles, and audits (2 CFR 200.302). Subrecipient must maintain adequate business systems to comply with Federal requirements.

19. **REPORTING REQUIREMENTS** - Regular reports by Subrecipient shall include:
    a. Programmatic Reports- Subrecipient shall provide quarterly programmatic reports to DEMA within thirty (30) working days of the last day of the quarter in which services are provided. So that the report contains such information as deemed necessary by DEMA, Subrecipient shall use and fully complete the Quarterly Programmatic Report Format template, a copy of which is attached as Exhibit 19(a).
        i. If a project has been fully completed and implemented, and there will be no further updates, then the quarterly programmatic report for the quarter in which the project was completed will be sufficient as the final report. The report must be marked as "final." Quarterly programmatic reports shall be submitted to DEMA until the entire scope of the Grant is completed.
        ii. Upon request of DEMA, Subrecipient must provide to DEMA any information necessary to meet any state or federal reporting requirements.
        iii. Quarterly Programmatic reports are due:

Quarter	Period	Due
1	July 1 – September 30	October 30
2	October 1 – December 31	January 30
3	January 1- March 31	April 30
4	April 1 – June 30	July 30

b. Financial Reimbursements - Subrecipient shall provide DEMA with quarterly requests for reimbursement. Requests for reimbursements shall be submitted with the Reimbursement Form provided by DEMA, a copy of which is attached as Exhibit 19(b).

i. Subrecipient shall submit to DEMA a final request for reimbursement for expenses received and invoiced prior to the end of the termination of this Agreement no more than ninety (90) calendar days after the completion of all work funded in whole or in part by the Agreement. Requests for reimbursement received by DEMA later than the ninety (90) days will not be paid. The final reimbursement request as submitted shall be marked “final” by Subrecipient.

ii. DEMA requires that all requests for reimbursement be submitted via U.S. mail (United States Postal Service), FedEx, UPS, or another established private delivery service, in person or through electronic means.

iii. DEMA reserves the right to request and/or require any supporting documentation and/or information DEMA believes necessary in order to process requests for reimbursements. Subrecipient shall promptly provide DEMA with all such documents and/or information.

iv. Quarterly Financial Expenditure reports are due:

Quarter	Period	Due
1	July 1 – September 30	October 30
2	October 1 – December 31	January 30
3	January 1- March 31	April 30
4	April 1 – June 30	September 30

v. All reports shall be submitted by Subrecipient to the DEMA contact person as described in Part 46, NOTICES, of this Agreement.

20. **ASSIGNMENT AND DELEGATION** - Subrecipient may not assign any rights hereunder without the express, prior written agreement of both parties.

21. **AMENDMENTS** - Any change in this Agreement including but not limited to the Description of Services and budget described herein, whether by modification or supplementation, must be accomplished by a formal Agreement amendment signed and approved by and between the duly authorized representatives of Subrecipient and DEMA.
    a. Any such amendment shall specify:
        i. an effective date;
        ii. increases or decreases in the amount of Subrecipient's compensation if applicable;
        iii. be titled as an "Amendment,"
        iv. Subrecipient expressly and explicitly understands and agrees that no other method of communication, including any other document, correspondence, act, or oral communication by or from any person, shall be used or construed as an amendment or modification or supplementation to this Agreement.

22. **AGREEMENT RENEWAL** - This Agreement shall not bind nor purport to bind DEMA for any contractual commitment in excess of the original Agreement period, which may not be changed except by a writing signed by all parties hereto in conformity with Paragraph 21, AMENDMENTS.

23. **RIGHT TO ASSURANCE** - If DEMA in good faith has reason to believe that Subrecipient does not intend to or is unable to perform or continue performing under this Agreement, DEMA may demand in writing that Subrecipient give a written assurance of intent and ability to perform. If Subrecipient fails to provide written assurance within the number of days specified in the demand, DEMA at its option may terminate this Agreement.

24. **CANCELLATION FOR CONFLICT OF INTEREST** - DEMA may, by written notice to Subrecipient, immediately cancel this Agreement without penalty or further obligation pursuant to A.R.S. 38-511 if any person significantly involved in initiating, negotiating, securing, drafting or creating the Agreement on behalf of the State or its subdivisions (unit of Local Government) is an employee or agent of any other party in any capacity or a consultant to any other party to the Agreement with respect to the subject matter of the Agreement. Such cancellation shall be effective when the parties to the Agreement receive written notice from DEMA, unless the notice specifies a later time.

25. **THIRD PARTY ANTITRUST VIOLATIONS** - Subrecipient hereby assigns to the State of Arizona any claim for overcharges resulting from antitrust violations to the extent that such violations concern materials or services supplied by third parties to Subrecipient toward fulfillment of this Agreement.

26. **AVAILABILITY OF FUNDS** - Every payment obligation of DEMA under this Agreement is conditioned upon the availability of funds appropriated or allocated for the payment of such obligations under A.R.S. 35-154. If the funds are not allocated and available for the continuance of this Agreement, DEMA may terminate this Agreement at the end of the period for which funds are available. No liability shall accrue to DEMA in the event this provision is exercised, and DEMA shall not be obligated or liable for any future payments or

for any damages as a result of termination under this part 18, including purchases and/or contracts entered into by Subrecipient in the execution of this Agreement.

27. **FORCE MAJEURE** - If either party hereto is delayed or prevented from the performance of any act required in this Agreement by reason of acts of God, strikes, lockouts, labor disputes, civil disorder, or other causes without fault and beyond the control of the party obligated, performance of such act will be excused for the period of the delay.

28. **PARTIAL INVALIDITY** - Any term or provision of this Agreement that is hereafter declared contrary to any current or future law, order, regulation, or rule, or which is otherwise invalid, shall be deemed stricken from this Agreement without impairing the validity of the remainder of this Agreement.

29. **ARBITRATION** - In the event of any dispute arising under this Agreement, written notice of the dispute must be provided to the other party within thirty (30) calendar days of the events giving the rise to the dispute. Any claim made by or against the State or any of its political subdivisions (including but not limited to DEMA) relating to this Agreement shall be resolved through the administrative claims process. In the event A.R.S. 12-1518 applies, the parties shall proceed with arbitration as provided in that statute. The parties agree that proper venue for any litigation shall be in Maricopa County, Arizona.

30. **GOVERNING LAW AND CONTRACT INTERPRETATION**
    a. This Agreement shall be governed and interpreted in accordance with the laws of the State of Arizona.
    b. This Agreement is intended by the parties as a final and complete expression of their agreement. No course of prior dealings between the parties and no usage of the trade shall supplement or explain any terms in this document.
    c. Either party's failure to insist on strict performance of any term or condition of the Agreement shall not be deemed a waiver of that term or condition even if the party accepting or acquiescing in the nonconforming performance knows of the nature of the performance and fails to object.

31. **ENTIRE AGREEMENT** - This Agreement and its Exhibits constitute the entire Agreement between the parties hereto pertaining to the subject matter hereof and may not be changed or added to except by a writing signed by all parties hereto in conformity with Part 30 of this Agreement; provided. All prior and contemporaneous agreements, representations, and understandings of the parties, oral, written, pertaining to the subject matter hereof, are hereby superseded or merged herein.

32. **RESTRICTIONS ON LOBBYING** - Subrecipient shall not use funds made available to it under this Agreement to pay for, influence, or seek to influence any officer or employee of a State or Federal government.

33. **LICENSING** - Subrecipient, unless otherwise exempted by law, shall obtain and maintain all licenses, permits, and authority necessary to perform those acts it is obligated to perform under this Agreement.

34. **NON-DISCRIMINATION** - Subrecipient shall comply with all State and Federal equal opportunity and non-discrimination requirements and conditions of employment, including the Americans with Disabilities Act (42 U.S.C. 12101 et seq.), A.R.S. title 41, Chapter 9, Article 4 (A.R.S. 41-1461 et seq.), and Arizona Executive Order 2009-09.

35. **SECTARIAN REQUESTS** - Funds disbursed pursuant to this Agreement may not be expended for any sectarian purpose or activity, including sectarian worship or instruction in violation of the United States or Arizona Constitutions.

36. **ADVERTISING AND PROMOTION OF AGREEMENT** - Subrecipient shall not advertise or publish information for commercial benefit concerning this Agreement without the prior written approval of DEMA.

37. **CLOSED-CAPTIONING OF PUBLIC SERVICE ANNOUNCEMENTS** - Any television public service announcement that is produced or funded in whole or in part by Subrecipient shall include closed captioning of the verbal content of such announcement.

38. **INDEMNIFICATION** - To the extent permitted by law, each party (as indemnitor) agrees to indemnify, defend and hold harmless the other party (as indemnitee) from and against any and all claims, losses, liability, costs, or expenses (including reasonable attorney's fees) (hereinafter collectively referred to as claims) arising out of bodily injury of any person (including death) or property damage, but only to the extent that such claims which result in vicarious/derivative liability to the indemnitee, and are caused by the act, omission, negligence, misconduct, or other fault of the indemnitor, its officers, officials, agents, employees, or volunteers.

39. **TERMINATION** –
    a. All parties reserve the right to terminate the Agreement in whole or in part due to the failure of Subrecipient or DEMA to comply with any term or condition of the Agreement, to acquire and maintain all required insurance policies, bonds, licenses and permits or to make satisfactory progress in performing the Agreement. The party wishing to terminate this Agreement shall provide the other party with a written thirty (30) day advance notice of the termination and the reasons for it.
    b. If Subrecipient chooses to terminate this Agreement before the grant deliverables have been met then DEMA reserves the right to collect from Subrecipient all funds distributed by DEMA under this Agreement to Subrecipient.
    c. DEMA may, upon termination of this Agreement, procure, on terms and in the manner that it deems appropriate, materials or services to replace those under this Agreement. Subrecipient shall be liable to DEMA for any excess costs incurred by DEMA in procuring materials or services in substitution for those due from Subrecipient.

40. **CONTINUATION OF PERFORMANCE THROUGH TERMINATION** - Subrecipient shall continue to perform, in accordance with the requirements of the Agreement, up to the date of termination, as directed in the termination notice.

41. **COUNTERPARTS** - This Agreement may be executed in any number of counterparts, copies, or duplicate originals. Each such counterpart, copy, or duplicate original shall be deemed an original, and collectively they shall constitute one Agreement.

42. **AUTHORITY TO EXECUTE THIS AGREEMENT** - Each individual executing this Agreement on behalf of Subrecipient represents and warrants that he or she is duly authorized to execute this Agreement.

43. **SPECIAL CONDITIONS** - Subrecipient acknowledges that U.S. Department of Homeland Security-Federal Emergency Management Agency and DEMA reserve a royalty-free, non-exclusive, and irrevocable license to reproduce, publish, or otherwise use, and authorize others to use, for Federal government purposes:

    a. the copyright in any work developed under an award to DEMA or this sub-award to Subrecipient; and

    b. Any rights of copyright which the Subrecipient purchases ownership with Federal support. Subrecipient shall consult with DEMA regarding the allocation of any patent rights that arise from, or are purchased with, this funding.

44. **RECORD RETENTION** - The Subrecipient agrees to comply with the record-keeping requirements and other requirements of A.R.S. 35-214 and 35-215. All records shall be subject to inspection and audit by the State of Arizona at reasonable times.

45. **ADDITIONAL TERMS AND CONDITIONS** - The Subrecipients agrees to comply with the additional Terms and Conditions as described in Exhibit 45-2021 DHS Standard Terms and Conditions.

46. **NOTICES** - Any and all notices, requests, demands, or communications by either party to this Agreement, pursuant to or in connection with this Agreement shall be in writing be delivered in person or shall be sent to the respective parties at the following addresses:

    Arizona Department of Emergency & Military Affairs
    5636 E. McDowell Road
    Phoenix, AZ 85008

    Sedona Police Department
    100 Roadrunner Dr.
    Sedona, AZ 86336

Subrecipient shall address all programmatic questions and reimbursement notices relative to this Agreement to the appropriate DEMA staff contact:

Programmatic Grant Coordinator
Diane Fernandez
diane.fernandez@azdema.gov
602-464-6268

IN WITNESS WHEREOF

The parties hereto agree to execute this Agreement.

FOR AND BEHALF OF	**FOR AND BEHALF OF**
Sedona Police Department	Arizona Dept of Emergency & Military Affairs, Division of Emergency Management
Authorized Signature	Gabriel Lavine, Director
Name & Title	Date:
Date	

STATE OF ARIZONA
DEPARTMENT OF EMERGENCY AND MILITARY AFFAIRS

5636 East McDowell Road
Phoenix, Arizona 85008-3495
(602) 267-2700 DSN: 853-2700

Katie Hobbs
GOVERNOR

Major General Kerry L. Muehlenbeck
THE ADJUTANT GENERAL

February 10, 2025

Stephanie Foley, Police Chief
Sedona Police Department
100 Roadrunner Dr.
Sedona, AZ 86336

SUBJECT: FFY 2022 Emergency Management Performance Grant (EMPG)
Assistance Listings # 97.042
Grant Award # EMF-2022-EP-00009-S01
Unique Identifier: M5VJZN2SMSN5
Final Total Federal and Non-Federal Award **$42,239.49**

Dear Chief Foley,

The Arizona Department of Emergency & Military Affairs, Division of Emergency Management, is pleased to provide you with this Final Grant Award letter for the above referenced grant. The amount of Federal funds awarded to **Sedona Police Department** is **$42,239.49 for the special project Radio/MDC.**

As a condition of the award, you are required to contribute a cost match in the amount of **$21,119.74** of non-federal funds, or 50 percent of the total approved project costs of **$42,239.49** EMPG funds may be obligated and expended within the period of performance from **July 1, 2022 – March 31, 2025,** and in accordance with the EMPG grant guidelines.

All expenditures made with grant funding must adhere to all federal regulations and requirements as outlined in the Agreement, EMPG Notice of Funding Opportunity, and DEMA EMPG Local Programmatic Guidance. Also, each grant award will be monitored for both programmatic and fiscal compliance through desk monitoring and scheduled site monitoring visits.

Single Audit Reporting: https://www.ecfr.gov/current/title-2/subtitle-A/chapter-II/part-200/subpart-F

Recipients that expend $750,000 or more from all federal funding sources during the fiscal year are required to submit an organization-wide financial and compliance audit report per Subpart F of 2 C.F.R. Part 200. Failure to comply with the audit requirements will suspend the release of federal funds until complete.

Reference C.F.R. 200.512 Single Audit reporting ending 06/30/2023: AFY23.

The AY2023 audit report was verified and currently received at the Federal Audit Clearinghouse on March 15, 2024.

Federal Funding Accountability and Transparency Act https://www.fsrs.gov/

2 CFR 170.320: https://www.ecfr.gov/current/title-2/subtitle-A/chapter-I/part-170/subpart-C/section-170.320

If applicable, the Contractor/Grantee shall submit to AZDEMA via email the Grant Reporting Certification Form. This form and the instructions can be downloaded below and must be returned to the AZDEMA by the 15th of the month following that in which the award was received. The form shall be completed electronically and submitted using the steps outlined in the Grant Reporting Certification Form Instructions and emailed to us. All required fields must be filled including Top Employee Compensation, if applicable. Completing the Grant Reporting Certification Form is required for compliance with the 2 CFR Chapter 1, Part 170 REPORTING SUB-AWARD AND EXECUTIVE COMPENSATION INFORMATION. Failure to timely submit the Grant Reporting Certification Form could result in the loss of funds. This requirement applies to all subcontractors/sub-awardees utilized by the Contractor/Grantee for amounts exceeding $30,000.00 during the term of the Award.

As a reminder, the (GAO) Grant Activities Outline quarterly report is due to the EMPG Program Coordinator within 30 days of the end of each calendar quarter, this report can be emailed to diane.fernandez@azdema.gov. The Expenditure Reports along with all financial supporting documents are due to EMPG Finance Coordinator within 30 days of the end of each calendar quarter to receive reimbursement. Expenditure Reports can be emailed to Grants.EMPG@azdema.gov or mailed to the address below:

Arizona Department of Emergency & Military Affairs, Division of Emergency Management

Grant Administration Section
Diane Fernandez
EMPG Program Coordinator
5636 E McDowell Rd., Bldg 5101, E7
Phoenix, AZ 85008

Please refer questions to Diane Fernandez at 602-464-6268 or diane.fernandez@azdema.gov. We look forward to working with you and your staff in the coming year.

Sincerely,

Gabriel Lavine
Director,
Division of Emergency Management

Federal Fiscal Year 2022 - SPECIAL PROJECT

Application for Emergency Management Performance Grant

PROGRAM PERIOD OF PERFORMANCE July 1, 2022 - March 31, 2025 | **PAGE ONE**

APPLICANT INFORMATION:

ORGANIZATIONAL UNIT - DEPARTMENT	TYPE OF SUBMISSION		APPLICANT TYPE		CFDA NUMBER/ ASSISTANCE LISTING NUMBER
Sedona Police Department	Original Application	X	County		97.042
ORGANIZATIONAL UNIT - DIVISION NAME	Revised Corrected Application 1		Tribe		
None	Revised Corrected Application 2		State		
FUNDING OPPORTUNITY NUMBER 2022 EMPG-EP-00009-S01			Local	X	

ORIGINAL APPLICATION DATE OF SUBMISSION	CORRECTION 1 DATE OF SUBMISSION	CORRECTION 2 DATE OF SUBMISSION	ORGANIZATIONAL UEI #	CONGRESSIONAL DISTRICT
Monday, September 16, 2024	Sept 16, 2024		M5VJZN25MSN5	1
TOTAL AMOUNT REQUESTED	**TOTAL AMOUNT REQUESTED**	**TOTAL AMOUNT REQUESTED**	**EMPLOYER/TAX IDENTIFICATION NUMBER (EIN/TIN)**	**LEGISLATIVE DISTRICT**
$ 42,239.49	$ 42,239.49	$ -	86-0596516	1

AUTHORIZATION TO SUBMIT APPLICATION: By signing below the undersigned acknowledge they have been duly authorized by the jurisdiction to submit this application and will comply with the assurances, agreements, and/or special conditions set forth upon receipt of the grant award.

AUTHORIZED REPRESENTATIVE:

FIRST AND LAST NAME	TITLE	EMAIL:	OFFICE PHONE NUMBER (INCLUDE AREA CODE)
Stephanie Foley	Police Chief	sfoley@sedonaaz.gov	928-203-5019
SIGNATURE OF AUTHORIZED REPRESENTATIVE: (NO DIGITAL SIGNATURES ON APPLICATION)	**DATE SIGNED:**	**FAX NUMBER:**	**ALTERNATE PHONE NUMBER:**
	9/16/2024	928-204-7808	

PROGRAMMATIC CONTACT: (PERSON IN CHARGE OF THE QUARTERLY ACTIVITY REPORT SUBMISSIONS TO AZDEMA

FIRST AND LAST NAME	TITLE	EMAIL:	PHONE NUMBER (INCLUDE AREA CODE)
Erin Loeffler	Support Services Manager	eloeffler@sedonaaz.gov	928-203-5171

FINANCE DEPARTMENT CONTACT: (PERSON IN CHARGE OF THE QUARTERLY REIMBURSEMENT REQUEST SUBMISSIONS TO AZDEMA)

FIRST AND LAST NAME	TITLE	EMAIL:	PHONE NUMBER (INCLUDE AREA CODE)
Renee Stanley	Accounting Manager	rstanley@sedonaaz.gov	928-203-5022

NAME AND CONTACT INFORMATION OF PERSON TO BE CONTACTED ON MATTERS INVOLVING THIS APPLICATION

FIRST AND LAST NAME OR SAME AS PROGRAMMATIC CONTACT	TITLE:	EMAIL	PHONE NUMBER (INCLUDE AREA CODE)
Erin Loeffler	Support Services Manager	eloeffler@sedonaaz.gov	928-203-5171
MAILING ADDRESS	**CITY**	**STATE**	**ZIPCODE**
100 Roadrunner Dr.	Sedona	Arizona	86336

PROGRAM AND BUDGET NARRATIVE: REQUIRED

1a. Provide a description of your jurisdiction's emergency management priorities and initiatives that will be addressed with these EMPG funds. The entire narrative must be readable, please expand box size if necessary to allow all narrative to print. Attach any supporting documentation.

This funding will be utilized to support the operating budget needs for the City of Sedona Police Department in regards to Emergency Management. The City of Sedona has implemented a multi-jurisdictional Evacuation and Re-Entry Plan, which is an all-hazards life safety response plan that describes how the City of Sedona will organize emergency evacuation and re-entry operations. The plan describes how city officials, organized and maintained through the Sedona Police Department, will coordinate resources and activities in support of life safety during incidents requiring evacuation. The plan is designed as a high-tier Whole Community document identifying city agency and partner organization roles and responsibilities. In addition, the City of Sedona Police Department is the primary agency responsible for the development and maintenance of the City of Sedona Emergency Operations Center Operations Procedures Manual, in conjunction with both Coconino and Yavapai Counties, as well as the Sedona, Arizona Evacuation & Re-Entry Plan.

As the primary agency responsible for Emergency Management needs of the entire city, the Sedona Police Department will utilize EMPG funds awarded to assist with purchasing of necessary

communications equipment, such as police in-car laptop computers, as well as portable and in-car radios, and applicable supplies. This equipment is fundamental to the response and performance of the agency for emergency management for its ability to provide interoperability communications between agency personnel, as well as with partnering agencies and organizations. Primary hazards for the City of Sedona include, but are not limited to, wild fires, floods, flash floods, power outages, weather events, aerial catastrophes, police-involved incident (active shooter), and others
1b. Please outline how expenditures will address/support gaps identified in the THIRA/SPR and/or County/Tribal hazard and risk assessment.
Gaps identified in the THIRA/SPR and/or County/Tribal hazard and risk assessment include a specified approach in order to maximize efficiency and reduce duplication of processes while assessing risks and capabilities for managing risks and potential impacts. The Sedona Police Department has implemented a THIRA/SPR, following the fundamental guidelines established by FEMA, for emergency management situations within the Sedona Community. This plan is maintained by the Sedona Police Department and is not accessible to individuals outside of the department. The Sedona Police Department continually trains to identify potential gaps through quarterly emergency management table-top exercise trainings with key personnel within the agency, as well as with both surrounding county Emergency Management offices (Yavapai County Office of Emergency Management and Coconino County Office of Emergency Management). Sedona Police Department also conducts ongoing trainings and exercise activities meant to address capability gaps identified in ongoing hazard assessments through the information obtained during the training exercises and then the mandatory review of after-action reports. In addition, agency staff regularly attends Emergency Management trainings sponsored by AZDEMA and FEMA, which assists with identifying new and previously unknown gaps.
1a. Which Core Capabilities will your projects primarily address? Please choose 3 from the list found at:https://www.fema.gov/core-capabilities:
https://www.fema.gov/core-capabilities
Planning
Public Information and Warning
Operational Communications

Federal Fiscal Year 2022 - PROJECT

Application for Emergency Management Performance Grant Funds

DETAILED BUDGET TOTALS — **PAGE TWO**

	CATEGORY	TOTAL COSTS these fields have formulas do not enter numbers.	TOTAL FEDERAL CONTRIBUTION	TOTAL NON-FEDERAL CONTRIBUTION HARD MATCH	TOTAL NON-FEDERAL CONTRIBUTION IN-KIND MATCH
A	PERSONNEL	$ -	$ -	$ -	$ -
B	FRINGE	$ -	$ -	$ -	$ -
C	TRAVEL	$ -	$ -	$ -	$ -
D	EQUIPMENT (> $5,000.00)	$ -	$ -	$ -	$ -
E	SUPPLIES	$ 40,556.30	$ 20,278.15	$ 20,278.15	$ -
F	CONTRACTUAL/CONSULTANT	$ 1,683.19	$ 841.60	$ 841.60	$ -
G	OTHER	$ -	$ -	$ -	$ -
J	TOTAL DIRECT CHARGES	$ 42,239.49	$ 21,119.74	$ 21,119.74	$ -
K	TOTAL INDIRECT CHARGES	$	$	$	$ -
L	TOTAL	$ 42,239.49	$ 21,119.74	$ 21,119.74	$ -

2 C.F.R. 200.306 Cost Sharing or matching: (b) For all Federal awards, any shared costs or matching funds and all contributions, including cash and third party in-kind contributions, must be accepted as apart of the non-Federal entity's cost sharing or matching when such contributions meet all of the following criteria.
1. Are verifiable from the non-Federal entity's records;
2. Are not included as contributions for any other federal award;
3. Are necessary and reasonable for accomplishment of project or program objectives;
4. Are allowable under Subpart E--Cost Principles of this part;
5. Are not paid by the Federal Government under another Federal award, except where the Federal statute authorizing a program specifically provides that Federal funds made available for such program can be applied to matching or cost sharing requirements of other Federal programs;
6. Are provided for in the approved budget when required by the Federal awarding agency; and
7. Conform to other provisions of this part as applicable. (c) - (k)

The Sedona Police Department will provide a hard dollar match utilizing funding from the Sedona Police Department Operarting Budget and City of Sedona General Fund Operating Budget. These supplies have already been purchased with the Sedona Police Department Operating Budget or City of Sedona's General Fund during the applicable fiscal year.

Describe the Non-Federal Third Party In-Kind volunteer contributions and activities; and/or donation of facility: REQUIRED: attach supporting documentation if necessary.

5 Procurement and Administrative Policies and Procedures. Verification of internal control over and accountability for all funds, property and other assets.
Source: 2 CFR 2015.21(b)(3),
Equipment Management Procedures: 2 CFR 215.34(f)(1), 2 CFR 215.51.
Written Travel Policy: 2 CFR 220 App A.53, 2 CFR 200 App A. D(3)(f), 48 CFR 31.205-46,
These policies should be readily available for review at the time of a monitoring visit or upon request

a Please provide a link to your agency procurement policy here, or	[illegible]
b You may provide a copy of your current procurement policy with the application. Check this box if you have included a copy with your application	

Federal Fiscal Year 2022 - PROJECT

Application for Emergency Management Performance Grant		
EQUIPMENT	https://www.fema.gov/authorized-equipment-list	PAGE FIVE

List all non-expendable equipment to be purchased. Non-expendable equipment is tangible property having a useful life of more than one year and a cost per item of over $5,000.00. (Note: Organization's own capitalization policy and threshold amount for classification of equipment may be used). Expendable items should be included either in the "Supplies" category or in the "Other" category. Applicants should analyze the cost benefits of purchasing versus leasing equipment, especially high cost items. A list of equipment eligible under the EMPG program and the AEL categories can be found at the link above.

NOTE: Applications will be returned incomplete if the AEL number is not listed with the requested equipment.

NOTE: If you are purchasing small equipment that costs less than $5,000.00 you must list the items on the Supply Category. You must also verify whether the equipment is approved on the AEL list as authorized through the EMPG program.

	AEL CATEGORY #	EQUIPMENT DESCRIPTION	Requires Installation? Yes or No	NUMBER OF ITEMS	COST PER ITEM	TOTAL COST OF ITEMS
1				0	$ -	$ -
2				0	$ -	$ -
3				0	$ -	$ -
4				0	$ -	$ -
5				0	$ -	$ -
6				0	$ -	$ -
7				0	$ -	$ -
8				0	$ -	$ -
9				0	$ -	$ -
10				0	$ -	$ -
11				0	$ -	$ -
12				0	$ -	$ -
					TOTAL EQUIPMENT	$ -
					TOTAL FEDERAL	$ -
					TOTAL NON-FEDERAL	$ -

All equipment purchased with EMPG funding will require inventory tracking and is subject to monitoring by DEMA/FEMA personnel.

All communications equipment purchased with EMPG funding must adhere to SAFECOM guidance.

Equipment/projects that require installation are subject to a comprehensive "Environmental Historic Preservation" (EHP) review process. Please indentify any equipment/project requiring:
- Construction of new facilities or additions to existing buildings;
- Modification or renovation of existing buildings or structures (cameras, generators, access controls, mounting equipment, rewiring/electrical work);
- Physical Security enhancements both interior and exterior and grounds (doors, lights, fences, bollards etc);
- Construction or modification of communication towers (adding antennas, mouting equipment or shelters);
- All activities that cause ground disturbance;
- Training/Exercise that involve ground disturbance or are not located at a designated training facility;
- Mobile equipment that involve radar/sonar technology

You can request the EHP form from the DEMA EMPG program coordinator. Upon completion of the form submit it back to the program coordinator for review. DEMA will submit the EHP to FEMA when it is completed. Call the EMPG Program Coordinator if you have any questions regarding your project at 602-464-6268.

Does your project require hiring a contractor/vendor for installation? If yes, the project should most likely be listed in the "contractual/consultant services" category.

All equipment purchased with EMPG funding must be deployable in support of regional and national efforts with agency consent.

1. Briefly describe what equipment will be purchased;
2. Why is the equipment necessary;
3. How does the equipment support your program initiatives and priorities as identified on the application page 1;
4. Describe what funds will be utilized to sustain the equipment.

1	
2	
3	
4	

Federal Fiscal Year 2022 - PROJECT

Application for Emergency Management Performance Grant

SUPPLIES		PAGE SIX

Generally, supplies include any materials that are expendable or consumed during the course of a year and cost less than $5,000 for a single item. List items by type (daily operations, office supplies/copying paper, postage, training materials; training and/or exercise events; CERT training/exercise; community outreach, etc. Also include small equipment such as laptops, tablets, small printers, radios and compoenents, etc.

Note: Do not bundle all supplies on one line item, etc.) and show the basis for computation (if applicable).
These supplies should be used in support of and implementation of the EMPG-eligible actions and activities conducted by your jurisdiction.

	Daily Operations; Training and/or Exercise events; CERT Training/Exercise; Community Outreach. Note: Do not bundle all supplies on one line item.	ITEM DESCRIPTION	NUMBER OF ITEMS	COST PER ITEM	TOTAL COST OF ITEMS
1	04HW-01-MOBL	Getac V110 in-car mounted laptops	5.00	$ 4,180.52	$ 20,902.60
2	06CP-01-MOBL	Motorola Oni in-car police portable radio	2.00	$ 3,417.35	$ 6,834.70
3	06CP-01-PORT	Motorola APX4000 handheld portable radio & accessories (earpieces, batteries)	3.00	$ 3,426.86	$ 10,280.58
4	06CP-01-MOBL	Motorola Solutions Oni in-car portable radio	1.00	$ 1,821.97	$ 1,821.97
5	Small equipment	Backup batteries for Motorola APX4000 handheld portable radios	3.00	$ 238.82	$ 716.45
6			0.00	$ -	$ -
				TOTAL SUPPLIES	$ 40,556.30
				TOTAL FEDERAL	$ 20,278.15
				TOTAL NON-FEDERAL	$ 20,278.15

Briefly describe the anticipated supply expenditures and how they support the implementation of EMPG-eligible actions and activities conducted by your jurisdiction:

1	Police portable and in-car radios, and in-car laptops, assist with daily communications and community outrach, as well as during emergency management operations.
2	
3	
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5	
6	

Federal Fiscal Year 2022 - PROJECT

Application for Emergency Management Performance Grant

PROFESSIONAL CONTRACTUAL / CONSULTANT SERVICES — **PAGE SEVEN**

EMPG-eligible services may be contracted to support planning, training, and/or exercise activities. Contractual services includes the hiring of part-time or full-time temporary employees to work on specified projects but not included as part of you jurisdictional budget.
Note: All contractual services purchased with EMPG funding will require a clear, EMPG-eligible scope of work prior to the work start date.

	DESCRIPTION OF SERVICES	VENDOR/CONTRACT SELECTED	NUMBER OF HOURS	COST PER HOUR	COST = (NUMBER OF HOURS X COST PER HOUR)
1	Motorola Solutions Oni Motorola Radio Setup for new CSO truck	Motorola Solutions			$ 1,683.19
2					$ -
3					$ -
4					
5					
				TOTAL CONTRACTUAL	$ 1,683.19
				TOTAL FEDERAL	$ 841.60
				TOTAL NON-FEDERAL	$ 841.60

All contractual services must adhere to proper local, state, and federal procurement procedures. For reference, please see 2 CFR 200.318.

Briefly explain what contractual services will be procured, including what procurement method will be used, why the service is necessary, and how they support your priorities and initiatives identied on the application page 1.

1 Motorola Solutions installed in-car radio system in new CSO truck. This service was necessary because the radio system had to be installed by a licensed radio technician.

2

3

4

5

Federal Fiscal Year 2022 - SPECIAL PROJECT

Emergency Management Performance Grant

Arizona Division of Emergency Management

Notice: Do not proceed with any project expenses until the application has been approved by AZDEMA Grants Administration. You will receive a final award letter, fully executed grant agreement and copy of the approved application upon completion

AZDEMA INTERNAL PROCESSING ONLY:

Program Coord. Recommendation: Diane Fernandez - Sign: Diane Fernandez	Sept 19, 2024 **Date:**	[DF] **Conditionally Approved**	[ ] **Disallow**	N/A **Comments: (df)**
Assistant Director Approval Status: Darlene Quihuis - Sign:	24/09/19 **Date:**	[✓] **Conditionally Approved**	[ ] **Disallow**	N/A **Comments: (dq)**
Financial Coord. Recommendation: Vacant - Sign:	**Date:**	[ ] **Conditionally Approved**	[ ] **Disallow**	**Comments: (wb)**

AZDEMA COMMENTS:	**** Conditionally Approved Description: Costs are conditionally allowable provided that the change(s)/identified costs meet the original program intent, comply with grant terms and conditions, and are allowable, allocable, reasonable, and necessary in accordance with 2 CFR subpart E (cost principles) and the applicable fiscal year funding opportunity and program guidance.***

N/A

Final Status sent to Subrecipient:	Conditionally Approved:		Action Required: (see comments above.		Approved:		Disallowed:	

SPD 2022 EMPG Special Project Application - signed & amended (1) pending approval

Final Audit Report 2024-09-19

Created:	2024-09-19
By:	Diane Fernandez (diane.fernandez@azdema.gov)
Status:	Signed
Transaction ID:	CBJCHBCAABAAdnSTJxjuMQ-IVEW31qsYYwfKkB1Os3FO

"SPD 2022 EMPG Special Project Application - signed & amended (1) pending approval" History

Document created by Diane Fernandez (diane.fernandez@azdema.gov)
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Document e-signed by Darlene Quihuis (darlene.quihuis@azdema.gov)
Signature Date: 2024-09-19 - 6:57:59 PM GMT - Time Source: server

Agreement completed.
2024-09-19 - 6:57:59 PM GMT

Adobe Acrobat Sign

CITY COUNCIL AGENDA BILL

AB 3203
March 11, 2025
Consent Items

Agenda Item: 3g
Proposed Action & Subject: Approval of a contract amendment for professional services with Huitt-Zollars for the SIM-11m Dry Creek Shared Use Path Improvements in the amount of $13,900 ($113,600 New Total Contract Value).

Department	Public Works/Sandra Phillips
Time to Present	N/A
Total Time for Item	N/A
Other Council Meetings	N/A
Exhibits	A. Amendment #1 To Departmental Services Contract B. Left Hand Turn Lanes Exhibit

Finance Approval	Reviewed 2/25/25 BGW
City Attorney Approval	Reviewed 2/25/25 KWC
City Manager's Recommendation	Recommend approval ABS 2/28/25

Expenditure Required
$ 113,600
Amount Budgeted
FY25 $ 1,370,000
FY26 $ 1,500,000

SUMMARY STATEMENT

Staff is requesting approval to amend a professional services contract with Huitt-Zollars, Inc., in the amount of $13,900. Original contract amount is $99,700. This amendment exceeds the City Manager's signing authority of $100,000 and requires Council approval for contract amendment. The new contract value will total $113,600.

Background: Phases I and II are complete and run south from the Two Fences Trail to Gringo Road. This Phase III will connect from Gringo and run south to White Bear Road.

Additional Scope of Services: While in this current design phase, Huitt-Zollars is designing the shared use path with drainage and right-of-way constraints in mind. The Right-of-Way North of Topkie Drive does not currently allow room for a shared use path. Huitt-Zollars has currently designed the path with a shift in the roadway. We have asked Huitt-Zollars to look into an alternative to their design of shifting the road. 1. Shift the road to fit the shared use path between the road and drainage ditch or 2. Construct the path over the drainage ditch, which would require additional culverts, scuppers, additional railing, and misc. drainage improvements. This evaluation identifies challenges, provides design solutions, and provides an opinion of probable cost for each possible design. This additional information will help the City determine the best way to proceed.

Additionally, prior to 2018, there were left hand turn lanes at Dry Creek NB to Kachina and left hand turn at Dry Creek SB as below.



Dry Creek NB 2018, Left Hand Turn Lane onto Kachina (No bike lanes)



Dry Creek SB 2018, Left Hand Turn Lane onto White Bear (No bike lanes)

As shown in the pictures, the turn lanes did not allow room for bike lanes.

In 2019, these turn lanes were removed to accommodate the bike lanes as shown below.



Dry Creek NB 2025, No Turn Lane with Bike Path



Dry Creek SB, No Turn Lane with Bike Path

While this solved one problem, this over time has created another. With the additional congestion over the last few years, Sedona Beer Company, visitors, etc. drivers are sitting in the travel lane waiting to turn while others are passing them on the right side (encroaching into the bike lane).

Now, with the addition of the shared use path, we can reinstall the turn lanes while keeping the bike lanes. Exhibit B shows the demolition of the existing sidewalk and shifting of the shared use path west to provide the room needed.

Budget: Design is currently funded in FY25 for design and a portion of construction at $1,370,000 ($372,056.08 remaining in FY25). Construction will continue into FY26 with $1,500,000 budgeted.

The priority of this project, in relation to other Sedona Trails & Pathways (ST&PS) projects, has been analyzed with the ST&PS priority matrix. The project was found to have a high priority and should proceed as proposed.

Climate Action Plan/Sustainability Consistent: ☒**Yes -** ☐**No -** ☐**Not Applicable**

In the Climate Action Plan, transportation related desired actions includes bike/pedestrian infrastructure, and reduced congestion. Identified strategies include developing and maintaining a safe, convenient, and effective system for walking, biking and other active forms of transportation. This project addresses those desired actions and strategies.

Board/Commission Recommendation: ☐**Applicable -** ☒**Not Applicable**

Alternative(s): Council may reject amendment and maintain the current design with no added left turn lanes.

MOTION

I move to: approve contract amendment for professional services with Huitt-Zollars for the SIM-11m Dry Creek Shared Use Path Improvements in the amount of $13,900 ($113,600 New Total Contract Value), subject to approval of the written contract by the City Attorney's Office.

AMENDMENT # 1
TO PROFESSIONAL SERVICES AGREEMENT

This Amendment to the Professional Services Agreement ("Agreement") by and between the City of Sedona, an Arizona municipal corporation ("CITY") and Huitt-Zollars, Inc. ("CONSULTANT") is made and entered into on this ____ day of _____, 20 _____ ("Effective Date").

RECITALS

A. WHEREAS, CITY and CONSULTANT previously entered into an Agreement for CONSULTANT to perform certain professional consulting and coordinating services for CITY, in connection with **SIM-11m Gringo to White Bear Shared Use Path** (the "Project") on or about September 23, 2024; and

B. WHEREAS, CITY and CONSULTANT now desire to amend that Agreement to provide additional services for design, and to increase the compensation accordingly. The scope of additional services includes evaluation of need for Dry Creek Road centerline shift. Plan preparation for addition of left turn lanes at Kachina Drive and White Bear Road.

AMENDMENT

The parties agree to amend the following section(s) of the Agreement as follows:

1. **SCOPE OF WORK**.
   A. Scope of Work.
   The Agreement, attached as **Exhibit A**, is amended to include the Additional Services included in **Exhibit B**.

2. **COMPENSATION; BILLING**.
   A. Compensation.
   Compensation for the Additional Services for the Project will be a Lump Sum fee of $13,900 and will be billed monthly on a percentage complete basis. See Exhibit B, Compensation.

   The not to exceed amount of compensation the City agrees to pay the CONSULTANT is amended from **$99,700.00** to **$113,600.00**.

ALL OTHER CONTRACT PRICES, TERMS, AND CONDITIONS REMAIN THE SAME.

(Signatures on following page)

CITY OF SEDONA, ARIZONA

_____

City Manager or City Department Head

ATTEST:

_____

JoAnne Cook, City Clerk

APPROVED AS TO LEGAL FORM:

_____

Kurt W. Christianson, City Attorney

HUITT-ZOLLARS, INC.

By:_____

Title:_____

I hereby affirm that I am authorized to enter into and sign this Amendment on behalf of CONSULTANT

EXHIBIT A

PROFESSIONAL SERVICES AGREEMENT FOR THE CITY OF SEDONA

This Professional Services Agreement ("Agreement") is made and entered into on this %&K@day of 9AJMAG>AKĀ%&K@, 20 %' ("Effective Date"), by and between the City of Sedona, an Arizona municipal corporation ("CITY") and 5NDMM <IFF=KLĀ6H?IKJIK=MA@ ("CONSULTANT").

RECITALS

A. CITY intends to undertake a project for the benefit of the public and with public funds that is more fully set for in Exhibit A, Scope of Work.

B. CITY desires to retain the professional services of CONSULTANT to perform certain services and produce the specific work as set forth in Exhibit A.

C. CONSULTANT desires to provide CITY with professional services ("Services") consistent with consulting or other professional practices and the standards set forth in this Agreement, in order to complete the project; and

D. CITY and CONSULTANT desire to memorialize their agreement with this document.

AGREEMENT

The parties agree as follows:

1. **SCOPE OF WORK**.
   A. Scope of Work. The CONSULTANT agrees to perform certain professional consulting and coordinating services for CITY, in connection with- 967 $$GĀ4KDHBIĀMIĀ;CDMAĀ/A=KĀ9C=KA@Ā:LAĀ8=MC (the "Project") as set forth in **Exhibit A** "Scope of Work" attached hereto and incorporated by this reference. The services include any and all services reasonably contemplated, normally included, and necessary to complete the Scope of Work in a professional manner with due diligence and in a timely manner, including working closely with the CITY and its designated employees. CONSULTANT shall perform the services required by, and as outlined in, Exhibit A to the satisfaction of the City, exercising that degree of care, skill, diligence and judgment ordinarily exercised, under similar circumstances, by reputable members of its profession in the same locality at the time the services are provided.

   B. Change in Scope of Work. If deemed necessary by CITY, the CONSULTANT and CITY will confer to further define specific tasks in the Scope of Work and estimate the amount of time to be spent on those tasks. Any work that is different from or in addition to the work specified shall constitute a change in the Scope of Work. No such change, including any additional compensation, shall be effective or paid unless authorized by written amendment executed by the City Manager and by CONSULTANT. If CONSULTANT proceeds without such written authorization, CONSULTANT shall be deemed to have waived any

claims of unjust enrichment, *quantum meruit* or implied contract. Except as expressly provided herein, no agent, employee or representative of CITY shall have the authority to enter into any changes or modifications, either directly or implied by a course of action, relating to the terms and scope of this Agreement.

C. Inspection; Acceptance. All work and Services performed by CONSULTANT will be subject to inspection and acceptance by the CITY at reasonable times during CONSULTANT's performance. If requested by the CITY, CONSULTANT will provide the CITY with record drawings at the completion of the project in such form and detail as the CITY may require.

D. Time. Time is of the essence for this Agreement. CONSULTANT shall complete all Services timely, efficiently and in accordance with any schedule set forth in Exhibit A.

E. Corrections. CONSULTANT shall promptly provide, at no additional cost to the CITY, any and all corrections, modifications, additional documents, or other items that may be necessary to correct any errors and/or omissions in the work, Services, documents, designs, specification, and/or drawings by CONSULTANT.

F. Key Personnel. CONSULTANT shall utilize the key personnel, if any, listed in Exhibit A or in the proposal to the CITY. CONSULTANT shall not change key personnel, not utilize the listed key personnel, or utilize any other key personnel without the prior written approval of the CITY. Any substituted personnel shall have the same or higher qualifications as the personnel being replaced.

2. **COMPENSATION; BILLING**.

A. Compensation. CITY agrees to pay the CONSULTANT as compensation for Services on a time and materials basis in accordance with the Scope of Work and fee schedule set forth in **Exhibit A** not to exceed a total amount of **$** ,,Ä*##_____. Except as otherwise set forth in this Agreement, billing and payment will be in accordance with the conditions set forth in **Exhibit A**.

B. Payment. Unless otherwise agreed to by the CITY in writing, CONSULTANT will submit monthly invoices to the CITY. CITY will process and remit payment within thirty (30) days and payment will be delinquent only thirty (30) days after the date received by CITY. Each invoice shall set forth a general description of the work performed, in accordance with the Scope of Work, for the hours billed. Payment may be subject to or conditioned upon CITY'S receipt of unconditional waivers and releases on final payment from all subconsultants. If a dispute over payment arises, and during all claims resolution proceedings, CONSULTANT shall continue to render the Services in a timely manner. Payment by the CITY does not constitute acceptance by the CITY of the Services or CONSULTANT's performance, nor does payment constitute a waiver of any rights or claims by the CITY.

C. Expenses. Any fee required by any governmental agency in order for CONSULTANT to accomplish a task hereunder shall be provided by CITY and is not included in the hourly fee. No reimbursable expenses or costs of any kind shall be paid by the CITY unless expressly approved by the CITY in writing before they are incurred. Any approved reimbursable

expenses will be paid at the actual cost without any markup and will be paid only after they are incurred.

D. Taxes. CONSULTANT shall be solely responsible for any and all tax obligations which may result out of the CONSULTANT's performance of this Agreement. The CITY shall have no obligation to pay any amounts for taxes, of any type, incurred by the CONSULTANT.

3. **OWNERSHIP OF DOCUMENTS**. All documents, including, but not limited to, correspondence, estimates, notes, recommendations, analyses, reports, data and studies that are prepared in the performance of this Agreement are to be, and shall remain, the property of CITY and are to be delivered to CITY before the final payment is made to the CONSULTANT. CONSULTANT hereby grants to the CITY an irrevocable, exclusive, royalty-free perpetual license to reproduce and use any and all data, documents (including electronic documents and files), designs, drawings and specifications prepared or furnished by CONSULTANT pursuant to this Agreement. Any modifications made by the CITY to any of the CONSULTANT'S documents, or any use, partial use or reuse of the documents without written authorization or adaptation by the CONSULTANT will be at the CITY'S sole risk and without liability to the CONSULTANT.

4. **PROFESSIONAL RESPONSIBILITY**. CONSULTANT hereby warrants that it is qualified to assume the responsibilities and render the Services described herein and has all requisite corporate authority and professional licenses in good standing, required by law. CONSULTANT warrants that the Services rendered will conform to the requirements of this Agreement and to the professional standards in the field. The CITY has no obligation to provide CONSULTANT any business registrations, licenses, tools, equipment or material required to perform the Scope of Work.

5. **COMPLIANCE WITH LAW**. It is contemplated that the work and Services to be performed by CONSULTANT hereunder shall be done in compliance with applicable laws, ordinances, rules and regulations that are in effect on the date of this Agreement. Any subsequent changes in applicable laws, ordinances, rules or regulations that necessitate additional work shall constitute a change in the Scope of Work. Each and every provision of law and any clause required by law to be in the Agreement will be read and enforced as though it were included.

6. **INDEMNIFICATION**. To the fullest extent permitted by law, CONSULTANT will indemnify, defend and hold harmless CITY, and each council member, officers, boards, commissions, officials, employee or agent thereof (collectively the CITY and any such person being herein called an "Indemnified Party"), for, from and against any and all losses, claims, damages, liabilities, costs and expenses (including, but not limited to, reasonable attorneys' fees, court costs and the costs of appellate proceedings) to which any such Indemnified Party may become subject, under any theory of liability whatsoever ("Claims") to the extent that such Claims (or actions in respect thereof) relate to, arise out of, or are caused by, or in connection with the negligent acts or omissions, recklessness or intentional misconduct of CONSULTANT, its officers, employees, agents or any tier of subcontractor in connection with CONSULTANT'S work or Services in the performance of this Agreement. In consideration of the award of this Agreement, CONSULTANT agrees to waive all rights of subrogation against the Indemnified Party for losses arising from the work or Services performed by CONSULTANT for the CITY. The amount and type of insurance coverage requirements set forth below will in no way be

construed as limiting the scope of the indemnity in this Section.

7. **INSURANCE**.

A. General:

1. The CONSULTANT agrees to procure and maintain in force during the term of this Agreement, at its own cost, the following coverages and as may be requested by CITY, either in the initial bid, or prior to commencement of particular tasks. CONSULTANT shall submit to CITY before any work is performed, certificates from the CONSULTANT's insurance carriers indicating the presence of coverages and limits of liability as follows:

2. Worker's Compensation Insurance:

Coverage A: Statutory benefits as required by the Labor Code of the State of Arizona.

Coverage B: Employer's Liability

Bodily Injury by accident	$1,000,000 each accident
Bodily Injury by disease	$1,000,000 policy limit
Bodily Injury by disease	$1,000,000 each employee

3. Commercial General or Business Liability Insurance with minimum combined single limits of ONE MILLION DOLLARS ($1,000,000.00) each occurrence and TWO MILLION DOLLARS ($2,000,000.00) general aggregate.

4. Automobile Liability Insurance with minimum combined single limits for bodily injury and property damage of not less than ONE MILLION DOLLARS ($1,000,000.00) for any one occurrence, with respect to each of the CONSULTANT'S owned, hired or non-owned automobiles assigned to or used in performance of the Services. Certificate to reflect coverage for "Any Auto, All Owned, Scheduled, Hired or Non-Owned."

5. Professional Liability coverage with minimum limits of ONE MILLION DOLLARS ($1,000,000.00) each claim and TWO MILLION DOLLARS ($2,000,000.00) general aggregate. If approved by CITY, evidence of qualified self-insured status may be substituted for one or more of the foregoing insurance coverages. Coverage must have no exclusion for design-build projects.

B. CONSULTANT shall procure and maintain the minimum insurance coverages listed herein. Such coverages shall be procured and maintained with forms and insurers acceptable to CITY, acceptance of which shall not be unreasonably withheld. All coverages shall be continuously maintained to cover all liability, claims, demands and other obligations assumed by the CONSULTANT pursuant this Agreement. In the case of any claims made to the policy, the necessary retroactive dates and extended reporting periods shall be procured to maintain such continuous coverage.

C. All policies must be written by insurance companies whose rating, in the most recent AM Best's Rating Guide, is not less than A- VII or higher, unless CONSULTANT obtains prior written approval of CITY.

D. A Certificate of Insurance shall be completed by the CONSULTANT'S insurance agent(s) as evidence that policies providing the required coverages, conditions and minimum limits are in full force and effect and shall be subject to review and approval by CITY. The Certificate shall identify this Agreement and shall provide that the coverages afforded under the policies shall not be canceled, terminated or limits reduced until at least thirty (30) days prior written notice has been given to CITY. The CITY shall be named as an additional insured. The completed Certificate of Insurance shall be sent to:

City of Sedona
102 Roadrunner Drive
Sedona, AZ 86336
ATTN: City Clerk

E. Failure on the part of CONSULTANT to procure or maintain policies providing the required coverages, conditions and minimum limits shall constitute a Material Breach of Contract upon which CITY may immediately terminate this Agreement or, at its discretion, CITY may procure or renew any such policy or any extended reporting period thereto and may pay any and all premiums in connection therewith, and all monies so paid by CITY shall be repaid by the CONSULTANT to CITY upon demand, or CITY may offset the cost of the premiums against any monies due to CONSULTANT from CITY.

F. CITY reserves the right to request and receive a certified copy of any policy and any pertinent endorsement thereto. CONSULTANT agrees to execute any and all documents necessary to allow CITY access to any and all insurance policies and endorsements pertaining to this particular job.

G. All policies shall provide primary coverage and waivers of subrogation by endorsement or otherwise. A waiver of subrogation shall be effective as to any person or entity even though that person or entity would otherwise have a duty of indemnification, contractual or otherwise, did not pay for the insurance premium directly or indirectly and whether or not the person or entity had an insurable interest in the property damaged.

H. The following policies shall include Additional Insured endorsements: Automobile Liability Insurance and Commercial General Liability.

I. CITY reserves the right to require higher limits of liability coverage if, in the CITY's opinion, operations or services create higher than normal hazards.

8. **NON-ASSIGNABILITY**. Neither this Agreement, nor any of the rights or obligations of the parties hereto, shall be assigned by either party without the written consent of the other.

9. **TERM; TERMINATION**.

A. Term. This Agreement shall terminate on +"%*"%#%(_____, or at such time as the work in the Scope of Work is completed, whichever occurs first.

B. Termination for Convenience. This Agreement is for the convenience of the CITY and may be immediately terminated without cause after receipt by the CONSULTANT of written

notice by the CITY. Upon termination for convenience, CITY shall pay CONSULTANT for all work previously authorized and performed prior to the date of termination. If, however, CONSULTANT has substantially or materially breached the standards and terms of this Agreement, CITY shall have any remedy or right of set-off available at law and equity. Upon any termination of this Agreement, no further payments shall be due from the CITY to CONSULTANT unless and until CONSULTANT has delivered to the CITY full sized and usable copies of all documents, designs, drawings, and specifications generated by CONSULTANT in relation to the Project or this Agreement. No other payments, including any payment for lost profit or business opportunity, and no penalty shall be owed by CITY to CONSULTANT in the event of termination upon notice. After termination, CONSULTANT may complete other such work as it deems necessary, except that such work will be at its own expense and there shall be no "termination charge" whatsoever to CITY.

C. Termination for Cause. CITY may terminate this Agreement for cause if CONSULTANT fails to cure any breach of this Agreement within seven days after receipt of written notice specifying the breach.

D. Extension for Procurement Purposes. Upon expiration of the Term of this Agreement, including the initial term and any renewals, at the CITY'S discretion, this Agreement may be extended on a month-to-month basis for a maximum of six (6) months to allow for the CITY to complete its procurement processes to select a vendor to provide the services/materials similar to those provided under this Agreement. There are no automatic renewals of this Agreement.

E. Appropriation of Funds. Every payment obligation of the CITY under this Agreement is conditioned upon the availability of funds appropriated or allocated for payment of such obligation. If funds are not allocated and available for the continuance of this Agreement, this Agreement may be terminated by the CITY at the end of the period for which funds are available. No liability shall accrue to the CITY in the event this provision is exercised, and CITY shall not be obligated or liable for any future payments or for any damages resulting from termination under this provision.

10. **VENUE; JURISDICTION; JURY TRIAL WAIVER**. This Agreement shall be governed by the laws of the State of Arizona, and any legal action concerning the provisions hereof shall be brought in the County of Yavapai, State of Arizona. Both parties hereby waive any right to a jury trial which they may otherwise have in the event of litigation arising out of this Agreement or the subject matter thereof and consent to a trial to the court.

11. **INDEPENDENT CONTRACTOR**. CONSULTANT is an independent contractor. Notwithstanding any provision appearing in this Agreement, and any exhibits and/or addenda, all personnel assigned by CONSULTANT to perform work under the terms of this Agreement shall be, and remain at all times, employees or agents of CONSULTANT for all purposes. The CITY does not have the authority to supervise or control the actual work of CONSULTANT, its employees or subcontractors. CONSULTANT shall make no representation that it is the employee of CITY for any purpose.

12. **NO WAIVER**. Delays in enforcement or the waiver of any one (1) or more defaults or breaches

of this Agreement by CITY shall not constitute a waiver of any of the other terms or obligations of this Agreement.

13. **ENTIRE AGREEMENT**. This Agreement, together with the attached exhibits, is the entire agreement between CONSULTANT and CITY, superseding all prior oral or written communications. None of the provisions of this Agreement may be amended, modified or changed except by written amendment executed by both parties. This Agreement will be construed and interpreted according to its plain meaning, and no presumption will be deemed to apply in favor of or against the party drafting the Agreement. In the event any term or provision of this Agreement is held to be illegal or in conflict with any law of the United States or Arizona or any local law, the validity of the remaining provisions shall not be affected, and this Agreement shall be construed and enforced as if it did not contain the particular term or provision.

14. **NON-DISCRIMINATION**. CONSULTANT, its agents, employees, contractors and subcontractors shall not discriminate in any employment policy or practice. "Discrimination" means to exclude individuals from an opportunity or participation in any activity or to accord different or unequal treatment in the context of a similar situation to similarly situated individuals because of race, color, gender, gender identity, sexual orientation, religion, national origin or ancestry, marital status, familial status, age, disability, or Veteran status. (Ordinance 2015-10) (2015).

15. **COMPLIANCE WITH FEDERAL AND STATE LAWS**.

    A. In the performance of this Agreement, CONSULTANT will abide by and conform to any and all federal, state and local laws.

    B. Under the provisions of A.R.S. § 41-4401, CONSULTANT hereby warrants to CITY that CONSULTANT and each of its subcontractors will comply with, and are contractually obligated to comply with, all Federal Immigration laws and regulations that relate to their employees and A.R.S. § 23-214(A) (hereinafter "Contractor Immigration Warranty"). A breach of the Contractor Immigration Warranty shall constitute a material breach of this Agreement and shall subject CONSULTANT to penalties up to and including termination of this Agreement at the sole discretion of CITY. CITY retains the legal right to inspect the papers of any contractor or subcontractor employee who works on this Agreement to ensure that the contractor or subcontractor is complying with the Contractor Immigration Warranty. CONSULTANT agrees to assist CITY in regard to any such inspections. CITY may, at its sole discretion, conduct random verification of the employment records of CONSULTANT and any subcontractors to ensure compliance with the Contractor Immigration Warranty. CONSULTANT agrees to assist CITY in regard to any random verification performed. Neither CONSULTANT nor any subcontractor shall be deemed to have materially breached the Contractor Immigration Warranty if CONSULTANT or any subcontractor establishes that it has complied with the employment verification provisions prescribed by Sections 274A and 274B of the Federal Immigration and Nationality Act and the E-Verify requirements prescribed by A.R.S. § 23-214, Subsection A.

    C. The provisions of this Section must be included in any contract that CONSULTANT enters into with any and all of its subcontractors who provide services under this Agreement or any

subcontract. For the purposes of this paragraph, "Services" are defined as furnishing labor, time or effort by a contractor or subcontractor. Services include construction or maintenance of any structure, building or transportation facility or improvement to real property.

D. If applicable (CONSULTANT is a natural person), CONSULTANT shall execute the required documentation and affidavit of lawful presence as set forth in ARS 1-502/8 USC § 1621 (**Exhibit B**).

E. CONSULTANT understands and acknowledges the applicability to it of the Americans with Disabilities Act, the Immigration Reform and Control Act of 1986 and the Drug Free Workplace Act of 1989. The following is only applicable to construction contracts: CONSULTANT must also comply with A.R.S. § 34-301, "Employment of Aliens on Public Works Prohibited," and A.R.S. § 34-302, as amended, "Residence Requirements for Employees."

16. **DISPUTE RESOLUTION**. The parties agree in good faith to attempt to resolve amicably, without litigation, any dispute arising out of or relating to this Agreement. In the event that any dispute cannot be resolved through direct discussions, the parties agree to endeavor to settle the dispute by mediation. Either party may make a written demand for mediation, upon which demand the matter shall be submitted to a mediation firm mutually selected by the parties. The mediator shall hear the matter and provide an informal opinion and advise within twenty (20) days following written demand for mediation. Said informal opinion and advice shall not be binding on the parties, but shall be intended to help resolve the dispute. The mediator's fee shall be shared equally by the parties. If the dispute has not been resolved, the matter may then be submitted to the judicial system.

17. **DELAYS**. CONSULTANT shall not be responsible for delays which are due to causes beyond CONSULTANT'S reasonable control. In case of any such delay, any deadline established as part of the Scope of Work shall be extended accordingly.

18. **REMEDIES UPON BREACH**. If any party to this Agreement materially breaches the terms of the Agreement, the non-breaching party may exercise any and all remedies available to them under Arizona law, including, without limitation, if applicable, bringing a lawsuit for monetary damages or specific performance. THE PARTIES HERETO EXPRESSLY COVENANT AND AGREE THAT IN THE EVENT OF LITIGATION ARISING FROM THIS AGREEMENT, NEITHER PARTY SHALL BE ENTITLED TO AN AWARD OF ATTORNEY FEES, EITHER PURSUANT TO CONTRACT, PURSUANT TO A.R.S. § 12-341.01 (A) AND (B), OR PURSUANT TO ANY OTHER STATE OR FEDERAL STATUTE, COURT RULE, CASE LAW, OR COMMON LAW.

19. **CONFLICT OF INTEREST**. From the date of this Agreement through the termination of its service to CITY, CONSULTANT shall not accept, negotiate or enter into any contract or agreements for services with any other party that may create a substantial interest, or the appearance of a substantial interest in conflict with the timely performance of the work or ultimate outcome of this Agreement and/or adversely impact the quality of the work under this Agreement without the express approval of the City Manager and the City Attorney. Whether such approval is granted shall be in the sole discretion of the City Manager and the City

Attorney. The parties hereto acknowledge that this Agreement is subject to cancellation pursuant to the provisions of ARS § 38-511.

20. **NOTICE**. Any notice or communication between CONSULTANT and CITY that may be required, or that may be given, under the terms of this Agreement shall be in writing, and shall be deemed to have been sufficiently given when directly presented or sent pre-paid, first-class United States Mail, addressed as follows:

CITY: City of Sedona
Attn: 9=H@K=Ā8CDFFDJL
102 Roadrunner Drive
Sedona, AZ 86336

CONSULTANT: 5NDMMĀ<IFF=KLĀ6H?!
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8KAL?IMMÀĀ.<
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21. **EXHIBITS**. The following exhibits, are a part of this Agreement and incorporated by this reference:
Exhibit A Scope of Work
Exhibit B Affidavit of Lawful Presence
In the event of any conflict between the terms of an Exhibit and this Agreement, the terms of the Agreement shall control.

22. **NOTICE TO PROCEED**. Unless otherwise noted by CITY, acceptance of this Agreement is official notice to proceed with the work.

23. **PUBLIC RECORDS**. Notwithstanding any provisions of this Agreement regarding confidentiality, secrets, or protected rights, CONSULTANT acknowledges that all documents provided to the CITY may be subject to disclosure by the Arizona public records law under A.R.S. 39-121 and related provisions. In the event CONSULTANT objects to any disclosure, CONSULTANT agrees to handle all aspects related to the request including properly communicating with the requester and timely responding with information and CONSULTANT agrees to indemnify the CITY from an claims, actions, lawsuits, damages and losses resulting from CONSULTANT's objection to the disclosure.

24. **NO BOYCOTT OF ISRAEL OR USE OF FORCED LABOR OF ETHNIC UYGHURS IN PEOPLES REPUBLIC OF CHINA.** As applicable, CONSULTANT certifies and agrees it is not currently engaged in and for the duration of the Agreement will not engage in a boycott of Israel, as that term is defined in A.R.S. §35-393 and will not use forced labor or goods or services produced by forced labor of ethnic Uyghurs in the People's Republic of China (PRC) or any contractors, subcontractors or suppliers that use forced labor or goods or services produced by forced labor of ethnic Uyghurs in the PRC as provided by A.R.S. §35-394.

CITY OF SEDONA, ARIZONA

DocuSigned by:
Anette Spickard
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ATTEST:

DocuSigned by:
JoAnne Cook
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JoAnne Cook, City Clerk

APPROVED AS TO LEGAL FORM:

DocuSigned by:
Kurt Christianson
DA6BB971B6AF411...
Kurt W. Christianson, City Attorney

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By: Signed by:
Tom Ryan
C4101FB2985B407...

Title: Vice President

I hereby affirm that I am authorized to enter into and sign this Agreement on behalf of CONSULTANT

EXHIBITS

Exhibit A

☒ Scope of Work and Associated Costs.

Exhibit B

☐ Affidavit of Lawful Presence as set forth in ARS 1-502/8 USC §1621.

☐ Affidavit of Lawful Presence not required as this consultant is a corporation (Inc., LLC, LLP).

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HUITT-ZOLLARS, INC. • Prescott Office • 6737 Corsair Ave., Suite B • Prescott, AZ 86301 • 602.252.8384 phone • 928.445.5595 • huitt-zollars.com

August 21, 2024

Sandra Phillips, PE
City of Sedona
102 Roadrunner Drive
Sedona, AZ 86336
SPhillips@sedonaaz.gov
928-203-5076

Reference: SIM – 11m Gringo to White Bear
Proposal for Surveying and Design Services
P313262.02

Huitt-Zollars, Inc. (**HZI**) appreciates the opportunity to provide this proposal for Surveying and Design Services to the City of Sedona (**Client**) on the SIM 11m Gringo to White Bear (**Project**). Our proposal is based upon the scope of services, compensation, terms and conditions and attachments contained herein.

The project site is approximately 0.7 miles along Dry Creek Road within the following limits:

- The first driveway (south side) located approximately400 feet north of the intersection of Gringo Road and Dry Creek Road
- And then south to the intersection of the White Bear Road, which includes removing and re-building the existing northwesterly sidewalk ramp

Based on our initial field walk on May 2024 with the City, it appears the best location for the proposed 10’ SUP will be on the west side of Dry Creek Road. As discussed, the best solution to the restricted right of way challenge at the northern limits of the project is to shift to the roadway. Thereby increasing area between the new edge of pavement and the top of the slope.

This proposal includes the necessary survey work, conceptual design and final improvement plans for the project site.

Specifically, we understand that we will provide the following:

I. SCOPE OF SERVICES:

1.0 Dry Utility Coordination

1.1 Obtain As-built Plans, Quarter Section Maps (Dry and Wet Utilities) as available.

1.2 Request Blue Stake.

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2.0 Survey Services – Design Topography

(it is not anticipated that a Right of Way Survey and a Result of Survey is needed or requested)

2.1 Establish Horizontal and Vertical control for the project utilizing the City of Sedona's survey Datum and the previous survey work.

2.2 Provide design cross sections for the length of the project using GPS equipment. Cross section intervals will vary from 25' to 35' dependent on the terrain and existing improvements

- North of the Gringo – provide GPS shots on the striping and edge of pavement. The information will be used to establish the existing horizontal curve, which will be used to determine the shifting of the roadway to the east.

2.3 Locate Blue Stake markings as visible.

2.4 Field located existing visible improvements – for example: culverts, walls, meters, poles, driveways, mailboxes, homeowner improvements within the right of way, etc.

3.0 Conceptual Design

3.1 Provide a "high level" evaluation of the existing constraints on both sides of Dry Creek Road along the northern portion the project limits.

- Provide a conceptual centerline re-alignment of Dry Creek Road for approximately 800 feet

3.2 Create 3D existing surface for Dry Creek Road.

3.3 Establish horizontal control (stations and off-sets).

3.4 Create a proposed surface for the SUP with cuts of 2:1 (max), fill slopes of 4:1 (max) – as a starting point.

3.5 Prepare plan view sheets (in the form a roll plots) for the project limits, including 5' scale or 10' scale blow ups for each of the culverts, driveway and dry utility conflict areas.

- Provide a conceptual solution for the most challenging areas with conflicts and where the cut and fill slopes don't daylight within the right of way.

3.6 Schedule in-person meetings at the City to review the 30% plans, concepts, and suggested solutions.

- Modify the concept based on the meeting.

4.0 Final Design Services

4.1 Prepare 90% Improvement Plans

- 10' Scale Plan View for the SUP
- 5' Scale Details as necessary

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- 40’ Scale Signing & Striping Plans (for the re-alignment portion of the roadway, only)
- Schedule an in-person meeting to present the 90% Plans, and make a first submittal to the City
    - This proposal assumes the City will take several weeks to review the 90% plans and will provide written comments

4.2 Prepare 100% Improvement Plans
- Address City’s first review comments and revise the plans accordingly
- Submit plans for Approval

4.3 Project Specifications
- Project spec’s to be based on the Soldier Pass SUP project

5.0 Administration/Meetings/Coordination
- Additional meetings, site visit and coordination requested by the City

6.0 Optional Services – Photo-Enhanced Cross Section
- As an optional service, and as discussed during our initial field walk, the City may want a photo-enhanced graphic for presentation purposes. The graphic will depict a photograph of a section of Dry Creek Road with the proposed SUP superimposed on the image. Estimate Fee is $1,000 per cross section image.

II. DELIVERABLES:

A digital PDF copy of the above listed plans, maps and reports will be provided to the CLIENT and team members for their use on the project. Additionally, Civil 3D base files will be provided, as requested.

III. COMPENSATION:

The services to be provided for this Project will be based on a Lump Sum (LS) fee and billed monthly on a percentage complete basis.

1.0	**Dry Utility Coordination**	$1,500.00	(LS)
2.0	**Survey Services – Design Topography**	$12,200.00	(LS)
3.0	**Conceptual Design**	$28,500.00	(LS)
4.0	**Final Design Services:**	$54,000.00	(LS)
5.0	**Administration/Meetings/Coordination:**	$2,500.00	(LS)
6.0	**Optional Services – Photo-Enhances Cross Section:**	$1000.00	(T&M)

Total for All Above Services: ..... $99,700. (LS & T&M)

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Reimbursable Expenses: Reimbursable expenses include deliveries, mileage, reproduction of bidding and construction documents, etc. Expenses shall be compensated based upon the attached Hourly Rate Sheet. If an additional budget is required a separate scope and fee will be submitted to the CLIENT for review and approval.

IV. EXCLUDED SERVICES:

Excluded Scope Items include, but are not limited to the following:

1. Subsurface Investigation of underground utilities
2. Post Design Services
3. Right of Way Survey/Boundary Survey
4. Plan and Profile for the new roll curb
5. Public Out-Reach
6. Construction phase storm water pollution prevention plan (SWPPP) or services
7. Construction site monitoring or inspections
8. Construction staking services
9. Dry utility plan preparation and processing
10. FEMA flood plain mapping/LOMR/CLOMR
11. Geotechnical studies and/or reports
12. Legal descriptions and easement documents
13. Noise Study
14. Record of Survey preparation and processing
15. Retaining/Decorative wall plans and structural calculations.
16. Traffic Study/Analysis/Signal plan preparation
17. United States Corps of Engineers permit preparation and/or processing
18. Upstream or downstream storm drainage analysis

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TERMS AND CONDITIONS

Following are the Terms and Conditions that will apply to this Agreement:

Terms and Conditions as set forth in the Professional Service Agreement between City of Sedona (Owner) and Huitt-Zollars, Inc. (Vendor) dated September 3, 2023.

V. AUTHORIZATION:

Should this proposal meet with your approval and acceptance, please sign and return to our office by e-mail to tryan@huitt-zollars.com. We will schedule the above services as soon as we receive your authorization. If you have any questions about any aspect of this proposal, please do not hesitate to give us a call.

Sincerely,

HUITT-ZOLLARS, INC.



Tom Ryan, Project Manager
Vice President



Ryan H. Raab, PE
Vice President, PIC

Attachments:
A – Hourly Rate Schedule

Accepted and Approved for
City of Sedona

(Signature)

(Name)

(Title)

(Date)

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Attachment A

Hourly Rate Schedule

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PHOENIX
2024
HOURLY RATE SHEET

Engineering

Principal	$285.00
QA Manager	$250.00
Sr. Project Manager	$240.00
Project Manager	$215.00
Sr. Civil Engineer	$195.00
Civil Engineer	$170.00
Sr. Structural Engineer	$195.00
Structural Engineer	$170.00
EIT	$140.00
Sr. Designer	$185.00
Designer	$140.00
Sr. CADD Technician	$125.00
CADD Technician	$85.00

Construction

Construction Manager	$140.00
Construction Observer	$125.00
Resident Project Representative	$115.00
Sr. Project Representative	$150.00

Survey

Survey Manager	$230.00
Sr. Project Surveyor	$175.00
Project Surveyor	$130.00
Sr. Survey Technician	140.00
Survey Technician	$120.00

Survey Crews

1-Person Survey Crew	$110.00
2-Person Survey Crew	$170.00
3-Person Survey Crew	$210.00

Administrative

Sr. Project Support	$110.00
Project Support	$100.00

Reimbursable Expenses

Outside Services	Cost + 10%
Outside Consultants	Cost + 10%
Mileage	Standard Business Mileage Rate

EXHIBIT "A"

** Subject to Annual Escalation

HUITT-ZOLLARS, INC. • Prescott Office • 6737 Corsair Ave., Suite B • Prescott, AZ 86301 • 602.252.8384 phone • 928.445.5595 • huitt-zollars.com

February 12, 2025

Sandra Phillips, PE
City of Sedona
102 Roadrunner Drive
Sedona, AZ 86336
SPhillips@sedonaaz.gov
928-203-5076

Reference: SIM – 11m Gringo to White Bear: **Proposal to Amend Contract**
(HZ Project #R313262.02)

Huitt-Zollars, Inc. (**HZI**) appreciates the opportunity to provide this Proposal to Amend Contract to the City of Sedona (**Client**) on the SIM 11m Gringo to White Bear (**Project**). Our proposal is based upon the scope of services, compensation, terms and conditions and attachments contained herein.

There are 3 tasks associated with this amendment: evaluation of another alternative for the northern portion of the project, and creation of new left turn lanes at the intersection of Kachina & White Bear Road

Specifically, we understand that we will provide the following:

I. SCOPE OF SERVICES:

1.0 Additional Services

- **Centerline Shift/Non-Centerline Shift Evaluation:**
  - As requested, post the 30% plans: evaluate the concept of leaving the center line of Dry Creek Road in its current location
  - Identify challenges due to constricting the horizontal distance between the existing edge of pavement and the right of way
  - Provide design solutions (additional retaining walls, storm drain pipe and the need for additional easement)
  - Prepare an exhibit illustrating the challenges and potential solutions

- Provide an Engineer's Opinion of Probable Construction Costs comparing the improvements associated with shifting the centerline of Dry Creek Road, north of Topkie Drive verse maintaining the existing centerline

- Review and meet with the City

- **Left Turn Lane at Kachina Drive Concepts & Plan Preparation**
  - Review existing roadway constraints
  - Based on the constraints, and ADOT Traffic Engineering Guidelines/design parameters – provide recommendations and an exhibit illustrating the conceptual design
  - Coordinate with the City for concept approval
  - Prepare Paving Plan for the pavement and curb modifications
  - Prepare Signing and Striping plan for the intersection

- **Left Turn Lane at White Bear Road Concepts & Plan Preparation**
  - Review existing roadway constraints
  - Based on the constraints/design parameters – prepare an exhibit illustrating the conceptual design
  - Coordinate with the City for concept approval
  - Prepare Paving Plan for the pavement and curb modifications
  - Prepare Signing and Striping plan for the intersection

II. DELIVERABLES:

A digital PDF copy of the above listed plans, maps and reports will be provided to the CLIENT and team members for their use on the project. Additionally, Civil 3D base files will be provided, as requested.

III. COMPENSATION:

The services to be provided for this Project will be based on a Lump Sum (LS) fee and billed monthly on a percentage complete basis.

1.0 Additional Services $13,900 (LS)

Total for All Above Services: $13,900 (LS)

Reimbursable Expenses: Reimbursable expenses include deliveries, mileage, reproduction of bidding and construction documents, etc. Expenses shall be compensated based upon the attached Hourly Rate Sheet. If an additional budget is required a separate scope and fee will be submitted to the CLIENT for review and approval.

IV. EXCLUDED SERVICES:

Excluded Scope Items include, but are not limited to the following:

1. Subsurface Investigation of underground utilities
2. Post Design Services
3. Right of Way Survey/Boundary Survey
4. Plan and Profile for the new roll curb
5. Public Out-Reach
6. Construction phase storm water pollution prevention plan (SWPPP) or services
7. Construction site monitoring or inspections
8. Construction staking services
9. Dry utility plan preparation and processing
10. FEMA flood plain mapping/LOMR/CLOMR
11. Geotechnical studies and/or reports
12. Legal descriptions and easement documents
13. Noise Study
14. Record of Survey preparation and processing
15. Retaining/Decorative wall plans and structural calculations.
16. Traffic Study/Analysis/Signal plan preparation
17. United States Corps of Engineers permit preparation and/or processing
18. Upstream or downstream storm drainage analysis

TERMS AND CONDITIONS

Following are the Terms and Conditions that will apply to this Agreement:

Terms and Conditions as set forth in the Professional Service Agreement between City of Sedona (Owner) and Huitt-Zollars, Inc. (Vendor) dated September 23, 2024.

V. AUTHORIZATION:

Should this proposal meet with your approval and acceptance, please sign and return to our office by e-mail to tryan@huitt-zollars.com. We will schedule the above services as soon as we receive your authorization. If you have any questions about any aspect of this proposal, please do not hesitate to give us a call.

Sincerely,

HUITT-ZOLLARS, INC.



Tom Ryan, Project Manager
Vice President



Ryan H. Raab, PE
Vice President, PIC

Attachments:
A – Hourly Rate Schedule

Accepted and Approved for
City of Sedona

(Signature)

(Name)

(Title)

(Date)

Attachment A

Hourly Rate Schedule

PHOENIX
2024
HOURLY RATE SHEET

Engineering

Principal	$285.00
QA Manager	$250.00
Sr. Project Manager	$240.00
Project Manager	$215.00
Sr. Civil Engineer	$195.00
Civil Engineer	$170.00
Sr. Structural Engineer	$195.00
Structural Engineer	$170.00
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CADD Technician	$85.00

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1-Person Survey Crew	$110.00
2-Person Survey Crew	$170.00
3-Person Survey Crew	$210.00

Administrative

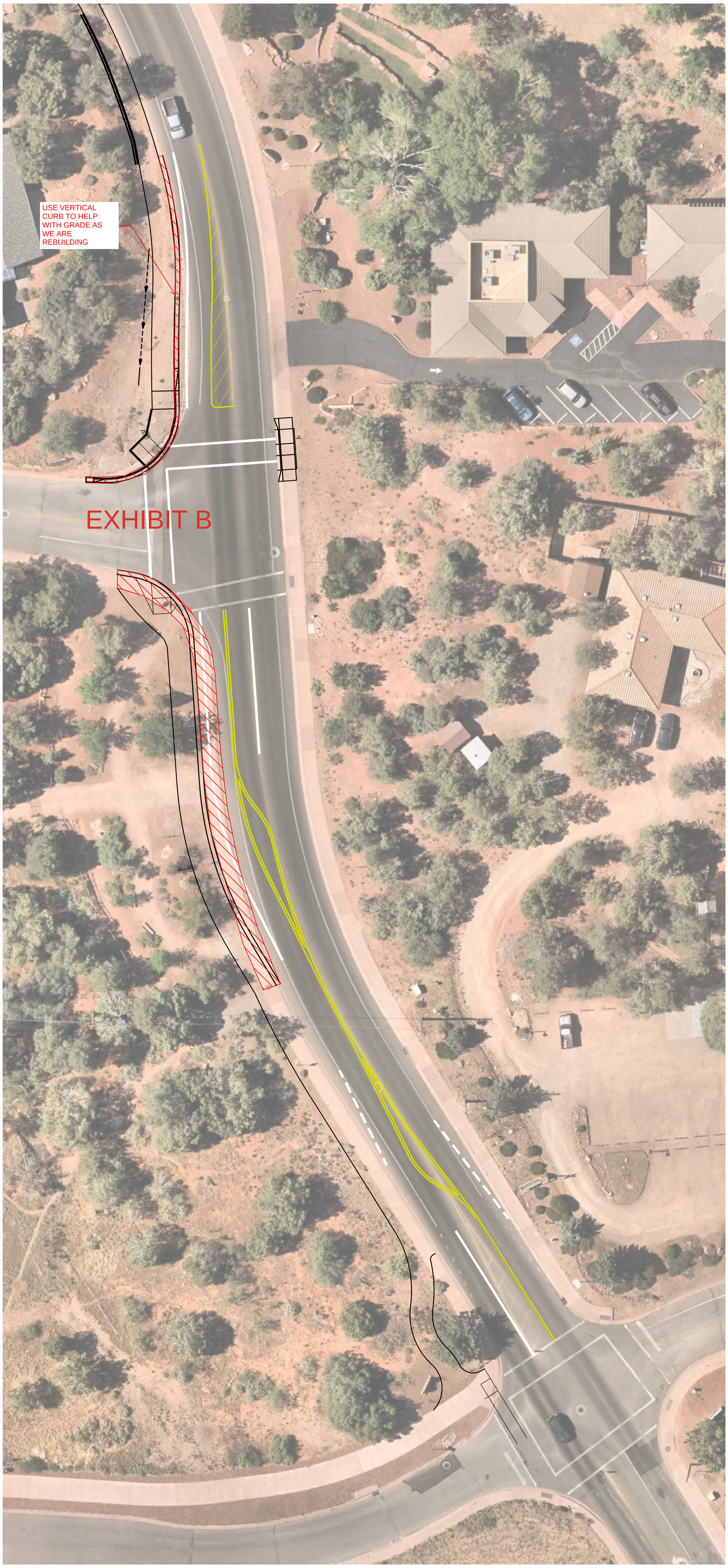
Sr. Project Support	$110.00
Project Support	$100.00

Reimbursable Expenses

Outside Services	Cost + 10%
Outside Consultants	Cost + 10%
Mileage	Standard Business Mileage Rate

EXHIBIT "A"

** Subject to Annual Escalation


USE VERTICAL CURB TO HELP WITH GRADE AS WE ARE REBUILDING
EXHIBIT B
CURB AND SIDEWALK REMOVAL

CITY COUNCIL AGENDA BILL

AB 3189
March 11, 2025
Consent Items

Agenda Item: 3h
Proposed Action & Subject: Approval of an Ordinance amending Sedona City Code Chapter 2.20 Council Procedures, Sections 2.20.090 (Robert's Rules of Order Revised) and 2.20.100 (Suspension of Rules), and proposed amendments to the Sedona City Council Rules of Procedures and Policies.

Department	City Attorney's Office / City Manager's Office
Time to Present **Total Time for Item**	n/a
Other Council Meetings	October 9, 2018; April 14, 2021, January 25, 2022, March 28, 2023; February 12, 2025
Exhibits	A. Ordinance B. Council Rules of Procedure redlined

Finance Approval	Reviewed 2/25/25 BGW
City Attorney Approval	Reviewed 2/25/25 KWC
City Manager's Recommendation	Recommend approval 2/28/25 ABS

Expenditure Required
$ xxx
Amount Budgeted
$ xxx
Account No. (Description)

SUMMARY STATEMENT

Background:

City Council discussed changes to the City Council Rules of Procedure and Policies during its Council Retreat on February 12, 2025. The proposed updates are shown in Exhibit B.

Since at least 2003, when the Sedona City Council adopted Ordinance 2003-03 and Resolution 2003-04 adopting the Sedona City Council Rules of Procedure, amendments of the Rules has been allowed by a simple majority motion of Council. The proposed revisions to Sedona City Code Section 2.20.090 and 2.20.100 are intended to update the Code to Council practice that has been in place since 2003.

The proposed changes in Sedona City Code Section 2.20.090 and 2.20.100 are amendments to existing code sections, and not new ordinances, and only require one public meeting to adopt, although this is the second public meeting.

Climate Action Plan/Sustainability Consistent: ☐ **Yes -** ☐ **No -** ☒ **Not Applicable**

Make sure box is checked. If marked “Yes”, please include verbiage from Climate Action Plan/Sustainability.

Board/Commission Recommendation: ☐**Applicable -** ☒**Not Applicable**

Make sure box is checked. If applicable is marked, please make sure to include a detailed summary of the recommendation

Alternative(s): Not approve the proposed amendments; discuss changes to the proposed amendments and reschedule the approval for another meeting.

MOTION

I move to: approve Ordinance No. 2025-____, amending Sedona City Code Sections 2.20.090 (Robert’s Rules of Order Revised) and 2.20.100 (Suspension of Rules).

approve the amendments to the City Council Rules of Procedure and Policies as shown on Exhibit B.

ORDINANCE NO. 2025-__

AN ORDINANCE OF THE CITY OF SEDONA, ARIZONA, DECLARING THE DOCUMENT TITLED "2025 AMENDMENTS TO SEDONA CITY CODE CHAPTER 2.20, COUNCIL PROCEDURES" AS A PUBLIC RECORD, ADOPTING THE SAME BY REFERENCE, AND AMENDING THE SEDONA CITY CODE AS SET FORTH THEREIN; PROVIDING FOR SEVERABILITY AND REPEAL OF CONFLICTING ORDINANCES; AND ESTABLISHING AN EFFECTIVE DATE.

WHEREAS, the City deems it necessary to adopt certain amendments to Sedona City Code Chapter 2.20 Council Procedures, Sections 2.20.090 (Robert's Rules of Order Revised) and 2.20.100 (Suspension of Rules) in the best interests of the public.

BE IT ORDAINED BY THE MAYOR AND CITY COUNCIL OF THE CITY OF SEDONA, ARIZONA, as follows:

Section 1. Adoption. That certain document titled the "2025 Amendments to Sedona City Code Chapter 2.20, Council Procedures" ("SCC Council Procedures Amendment"), of which one paper copy and one electronic copy are maintained, in compliance with A.R.S. § 44-701, on file in the office of the City Clerk as required by A.R.S. § 9-802, and available for public use and inspection during normal business hours, is hereby declared to be a public record and said copies thereof are hereby ordered to remain on file with the City Clerk. The Sedona City Code Chapter 2.20, Council Procedures, Sections 2.20.090 (Robert's Rules of Order Revised) and 2.20.100 (Suspension of Rules) is hereby amended as set forth in the SCC Council Procedures Amendment, which is hereby referred to, adopted, and made a part hereof as if fully set forth herein.

Section 2. Severability. If any section, subsection, sentence, clause, phrase, or portion of this ordinance or any part of the SCC Council Procedures Amendment adopted herein is for any reason held to be invalid or unconstitutional by a court of competent jurisdiction, such decision shall not affect the validity of the remaining portions thereof.

Section 3. Repeal. All other Code provisions, ordinances, parts of ordinances in conflict with the provisions of this ordinance, are hereby repealed to the extent of such conflict as of the effective date hereof.

Section 4. Effective Date. The effective date of this Ordinance shall be 30 days following adoption by the City Council.

PASSED AND ADOPTED by the Mayor and Council of the City of Sedona, Arizona, this _____ day of _____, 2025.

_____
Scott M. Jablow, Mayor

ATTEST:

_____
JoAnne Cook, CMC, City Clerk

APPROVED AS TO FORM:

_____
Kurt W. Christianson, City Attorney

EXHIBIT A
"2025 Amendments to Sedona City Code Chapter 2.20, COUNCIL PROCEDURES"

2.20.090 Rules ~~– Robert's Rules of Order Revised.~~

A. The city council shall adopt by motion the City Council Rules of Procedure and Policy which may be modified or changed from time to time, with the current version prevailing over any prior version.

~~A.~~B. Parliamentary procedures known as Robert's Rules of Order, Revised, except when in conflict with the City Council Rules of Procedure and Policy, and except as stated in SCC 2.20.080(A), shall pertain. [Code 2006 § 2-4-9].

2.20.100 Suspension of rules and procedures.

Any of the provisions of the City Council Rules of Procedure and Policy or any procedural provisions of the Sedona City Code~~this chapter~~ may be temporarily suspended in connection with any matter under consideration by a recorded vote of a majority ~~three-fourths~~ of the members present, except that this section shall not be construed to permit any action that is contrary to state statutes. [Code 2006 § 2-4-10].



CITY OF SEDONA

CITY COUNCIL

RULES OF PROCEDURE

AND POLICIES

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CITY OF SEDONA
PRINCIPLES OF ETHICAL CONDUCT
FOR ELECTED OFFICIALS

The following principles are meant to reflect a commitment to the integrity, responsibility, and leadership required of those holding public office. Council members pledge to uphold these Principles of Ethical Conduct in their behavior and actions in order to merit the trust bestowed upon them by the citizens they serve.

1. I will put forth honest effort in the performance of my duties.

2. I will make no unauthorized commitments or promises of any kind purporting to bind the City of Sedona Government.

3. I will not use public office for private gain.

4. I will act impartially and not give preferential treatment to any private organization or individual.

5. I will disclose waste, fraud, abuse, and corruption to the appropriate authorities.

6. I will treat everyone with respect and fairness at all times.

7. I will endeavor to avoid any actions creating the appearance that I am violating the law or these ethical standards.

Amended: March 28, 2023

RULE 1

RULES OF PROCEDURE

A. PURPOSE

1. The purpose of these Rules is to provide standard methods and general policy guidelines for the City Council to use when conducting business with City staff, the general public, and its own members. These Rules should be read and interpreted to be in harmony with the provisions of the Sedona City Code and State and Federal law. However, in every case where a conflict of interpretation may arise, the City Code and State and Federal law will control. These Rules shall be in effect upon their adoption by the Council by motion until such time as they may be amended by a majority vote of all members of the Council.
2. Where the term Mayor is used throughout this document, it shall be deemed to include, when appropriate, the Vice Mayor or other designated persons acting in the capacity of Mayor.

B. PROCEDURE FOR INITIATING OR AMENDING RULES

Two Councilors may propose a new or amended Rule. To do so, the following procedure shall be followed:

1. Present the new or amended Rule(s) in draft, written form to the City Clerk.
2. The proposed draft will be submitted to the City Attorney for review before it is released.
3. The City Council will discuss or take action on the proposed or amended Rule(s) at a regularly scheduled Council meeting.
4. Suspension of These Rules: Any provision of these Rules not governed by ordinances, ~~or~~ the City Code, or the open meeting law may be temporarily suspended, for that meeting, by a majority vote of those eligible to vote. The vote on any suspension shall be taken by "ayes" and "nays" and entered upon the record.
5. Amendment of These Rules: These Rules may be amended, or new rules adopted, by a majority vote of all members of the Council.

C. MASTER FILE OF ORIGINALS

The Clerk will maintain a Master File of all Rules contained herein and any amendments thereto.

D. REFERENCE MANUAL – RULES OF PROCEDURE

A reference manual containing these Rules will be kept in electronic and loose-leaf form in the City Hall for City staff and public use.

E. COUNCILORS' RULES OF PROCEDURE MANUALS

All new and amended Rules will be issued to each Councilor. The Rules will be issued in electronic form.

RULE 2

CONDUCT OF COUNCILORS AND ENFORCEMENT

A. CITY COUNCILOR ATTENDANCE AT SCHEDULED CITY MEETINGS

1. Councilors will notify both the Mayor and City Manager's Office in writing (email is appropriate) of their inability to attend any scheduled City Council meeting.
2. Should a Councilor be unable to attend any scheduled City Council meeting by unforeseen circumstances, that Councilor will notify the Mayor and the City Manager's Office as soon as possible after the meeting.
3. The second failure by a Councilor to notify the Mayor and City Manager's Office of anticipated or unforeseen absences may result in actions as outlined in Section L below.

B. EQUAL VOICE AND VOTE

All members of the City Council, including those serving as Mayor and Vice Mayor, have equal votes. All Councilors should be treated with equal respect.

C. GENERAL RULES OF DECORUM

1. Councilors shall fully participate in City Council meetings and other public forums while demonstrating respect, kindness, consideration, and courtesy to others.
2. At all times, Councilors shall be respectful of other people's time, and shall attempt to stay focused and act efficiently during public meetings.
3. Councilors shall conduct themselves so as to serve as a model of leadership and civility to the community, inspire public confidence in Sedona government, and demonstrate honesty and integrity in every action and statement.
4. Councilors will strive to always be on time for Council meetings.

D. CONDUCT IN PUBLIC MEETINGS

During all regular and special Council meetings, the following rules of decorum shall apply:

1. The role of the Mayor shall be recognized in maintaining order.
2. Councilors shall refrain from distraction during the "moment of silence".
3. Councilors shall refrain from dominating the discussion.
4. Personal attacks on other Councilors shall be avoided.
5. Councilors shall demonstrate effective problem solving approaches.
6. Councilors shall be polite to speakers and treat them with respect.
7. Councilors shall actively listen when others speak.
8. Councilors shall refrain from debating and arguing with the public.
9. Everyone attending Council meetings, including Councilors, staff, and members of the public, will be asked to mute the volume on ~~turn off~~ all cell phones. ~~If an imminentemergency or serious family matter is anticipated, cell phones may be set on vibrate.~~
10. Councilors shall refrain from eating at the dais.
11. "Business Casual" is the appropriate dress standard for all scheduled meetings of the full Council.
12. Councilors should be respectful of citizens, citizen opinions, and citizen issues.

E. CONDUCT IN UNOFFICIAL PUBLIC SETTINGS

1. Councilors will continue to practice respectful behavior in unofficial public settings.
2. Councilors will always be aware that conversations can have a public presence, and therefore ensure that all City-related conversations are appropriate and respectful.
3. All Councilors will refrain from making promises on behalf of the City Council unless such promises have been approved by official action.
4. Councilors shall refrain from making negative personal comments about other Councilors that go beyond appropriate criticism of another Councilor's opinion or position on a matter.

F. PUBLIC COMMUNICATIONS

1. When speaking publicly regarding City issues, Councilors will inform their listeners that "**any expressions of opinion can only be attributed to me and do not necessarily represent the position or opinion of the City Council or City staff,**" or words to that effect.
2. When writing an item for publication, such as a letter to the editor, Councilors will conclude their written statement with the disclaimer "**Any expression of opinion that may be read into this article can only be attributed to me as the author and does not necessarily represent the position or opinion of the City Council or City staff,**" or words to that effect.
3. Articles assigned to be written by Councilors~~, such as City Talk,~~ will include the disclaimer as outlined in Section F, Paragraph 2 above, and will be distributed to all local media through the City Manager's Office.

G. COUNCILOR CONDUCT WITH CITY STAFF

1. Councilors shall treat all City staff as professionals.
2. Councilors shall refrain from personal public criticism of an individual employee that goes beyond appropriate criticism or questioning of his/her position on a City matter. Concerns about an employee's performance should be discussed in private and should be brought to the attention of the City Manager.
3. Councilors should attempt to avoid unnecessary or prolonged disruption of City staff from their jobs. Councilors should not disrupt City staff while they are in meetings, on the phone, or engrossed in performing their duties, unless there is a compelling time-sensitive concern that must be addressed immediately.
4. Councilors shall refrain from involvement in administrative functions. The role of each Councilor, as an individual, is to represent the community and to share their ideas, recommendations, and point of view during consideration of matters before Council. Councilors shall respect and adhere to the Council-manager structure of the Sedona City government as outlined in City Code. In this structure, the City Council determines the policies of the City with the advice, information and analysis provided by the public, boards, commissions, committees and City staff. Councilors therefore may not interfere with the administrative functions of the City or the professional duties of City staff; nor impair the ability of staff to implement Council policy decisions. Councilors shall

not expressly or implicitly give orders or direction to staff, except through their participation on Council. Councilors shall also refrain from individually directing the City Manager and City Attorney in the performance of his/her job responsibilities.

5. All Councilor requests for research, information or any other staff project shall be directed to the City Manager or City Attorney. No Councilor shall make a request requiring more than one hour researching, compiling information, or otherwise spending staff time without first seeking approval of a majority of City Council. Councilor requests that involve less than one hour staff time, as determined by the City Manager, shall be completed without the need of Council action. Councilors recognize that the City Manager and City Attorney have discretion to take any additional action they believe necessary on a request.
6. Councilors must not attempt to unduly influence City staff on the making of appointments, awarding of contracts, selecting consultants, processing of development applications, or granting City licenses and permits. However, this does not preclude City Council members from being involved in such decisions when they are part of a committee that has been formed for the purpose of recommending the selection of a professional firm or recommending the hiring of a key staff member. In being part of that committee, it is understood that they will be impartial and make their recommendation based on the merits of the applicants and will recuse themselves from the process if there is a conflict of interest.
7. Upon receipt of a citizen's complaint, a Councilor may refer the complaint to the City Manager for review and response. Before responding to a citizen complaint, Councilors should check with the Mayor or City Manager to see if any action has already been taken on the issue. Copies of any response may be provided to other Councilors and the City Manager.

H. RESPONSE TO COMMUNICATIONS FROM THE PUBLIC

1. Councilors are strongly encouraged to acknowledge telephone, letter and electronic communications from the public.
2. When responding to such inquiries regarding City issues, Councilors should indicate a disclaimer such as: **"Any expression of opinion that may be read into this response can only be attributed to me as the author and does not necessarily represent the position or opinion of the City Council or City staff,"** or words to that effect.
3. Individual Councilors may respond to correspondence that has been directed to the entire City Council. Councilors should qualify any response they make which contains their personal opinions as opposed to any official position of the City.
4. Councilors shall always be courteous and professional in any correspondence or interaction with members of the public.

I. REFERRAL OF CITIZEN COMPLAINTS CONCERNING CITY SERVICES

When contacted by a citizen concerning a complaint regarding a City service, Councilors will notify the City Manager of the complaint and inform the citizen that his/her concern has been forwarded to the City Manager's Office. The City Manager should inform the referring Councilor of what action may have been taken.

J. IMPROPER INFLUENCE

1. A Councilor may not use City staff or letterhead to support personal or non-City functions or fundraisers.
2. Councilors shall not use their official office as a means of advancing personal opinions through public statements whereby an inference can be drawn that they are speaking on behalf of the City. Any such public statements shall contain clear language indicating that such statements are the opinions and comments of the individual and are not necessarily the position of the City of Sedona.

K. GIFTS

1. Councilors shall not, except pursuant to such reasonable exceptions as are provided by regulation, solicit or accept any gift or other item of monetary value from any person or entity seeking official action from, doing business with, or conducting activities regulated by the City of Sedona, and whose interests may be substantially affected by the performance or nonperformance of the Councilor's duties.

L. ENFORCEMENT OF THE RULES OF PROCEDURE

1. City Councilors who fail to follow these Rules of Procedure are subject to both private reprimand and formal censure. It is at the discretion of the Mayor to initiate action if a Councilor's behavior is called into question by another Councilor. When this occurs, the Mayor will discuss the behavior with the concerned Councilor whose actions are being questioned and may issue a private reprimand. If the Mayor is the individual whose actions are being questioned, the same procedure will be followed after a Councilor expresses a concern to the Vice Mayor.
2. If, after a second private reprimand concerning the same behavior, the conduct continues, the matter shall be referred to the City Council to consider whether a public censure is appropriate. Any public censure for violation of these Rules of Procedure can only take place upon a (two-thirds) vote of the entire City Council.

M. COUNCILOR APPOINTMENT

1. Upon the death or resignation of a City Councilor, the City Clerk shall immediately advertise the vacancy, request applications from all interested and qualified citizens, and accept applications for a period of not less than three weeks.
2. After the application period is closed, City Council shall meet to determine which applicants will be interviewed. Applicants who receive a majority vote of Councilors present in a regular, open session shall be interviewed. A tie vote results in an applicant not being interviewed.
3. Appointments to City Council shall be made after an open session interview with the City Council and through a majority vote of Councilors present. Council may hold an executive session to consider or discuss appointment of a Councilor.

RULE 3

MEETINGS

A. GENERAL RULES CONCERNING MEETINGS

1. Meetings and Minutes to be Public: All meetings of the Council shall be open to the public, except that upon approval of a majority vote of the Council, the Council may meet in an executive session in a manner pursuant to the requirements of state law. Minutes of all open meetings shall be available for inspection by the public.
2. Regular Meetings: The Council shall meet on the second and fourth Tuesday of each month at 4:30 p.m. except for the fourth Tuesday in July and December.
   a. If the regular meeting falls upon a legal holiday, then the Council shall meet at the regular time on the next succeeding day not a holiday.
   b. All regular meetings of the Council shall be held at the Sedona City Hall or such place as determined by the Mayor or Council and as designated in the meeting notice.
   c. A regular meeting may be canceled upon a majority vote of Council or due to lack of a quorum; in such a case, the reason for cancellation shall be conveyed to the Council and the public.
3. Special Meetings: The Mayor, upon his/her own initiative, the Clerk, upon the written request of three (3) members of the Council, or the Council, by majority vote, may convene the Council at any time by notifying the members of the date, hour, place, and purpose of the special meeting. Notice of the meeting must be made pursuant to state law.
4. Work Sessions: The Council may meet in work sessions at the call of the Mayor or any three (3) members of the Council on the day following a regularly scheduled Council meeting at 3:00 p.m. except for the Wednesday following the second regular Council meeting in November. Work sessions are open to the public and are designed to allow the Council to obtain detailed information and public input, on issues of major significance so any final decision made at the regular Council meeting may be expedited. No official action may be taken at a work session unless so stated on the agenda for that meeting.
5. Executive Session: The Council may meet in executive session pursuant to the requirements of A.R.S. § 38-431 et seq. The Council may vote to go into executive session, pursuant to § 38-431.03A(3), for discussion and consultation for legal advice with the City Attorney on the matter(s) set forth in anythe agenda item, or for other purposes as set forth in A.R.S. § 38-431.03(A).
   a. The only persons allowed to attend the executive sessions are members of the Council and those employees and agents whose presence is reasonably necessary in order for the public body to carry out its executive session responsibilities. Upon reconvening in public session, following an executive session, the Council may take formal action on matters considered in that executive session.
   a.b. An Eexecutive Ssession Rreport shall be given at the subsequent regularly scheduled Council meeting whenever Council publicly takes formal

action on matters considered in an executive session.

6. Council Meeting - Quorum: State statute (A.R.S. § 9-233) specifies that, "A majority of the councilmen shall constitute a quorum for transacting business." A vote of a majority of the quorum of those present is required in order to take official action.
7. Recessed Meetings: A properly called regular or special meeting may be recessed and resumed the following day with less than twenty-four (24) hours' notice by announcing the time and place for resumption of the meeting in open session. Any such recess shall be made by a procedural motion in open session during the regular or special meeting. To accommodate possible continuations of regular Council meetings to the following day, all Wednesday Special Meeting and Work Session agendas ~~shall~~ may contain an item at the beginning of the agenda giving notice of the possible continuation of any uncompleted business from the regular Council meeting that was held on the previous day. If a meeting is recessed or continued to a time longer than twenty-four (24) hours, the continued meeting will be noticed and posted in accordance with normal statutory procedures.

B. PRESIDING OFFICER, DUTIES AND FUNCTIONS

1. Presiding Officer: The Mayor shall preside at all Council meetings if he/she is present. The Mayor shall have the right to vote on all issues. In order to address the Council, a member must be recognized by the Mayor. If the Mayor is absent, the Vice Mayor shall preside. The Vice Mayor or another member who is temporarily presiding retains all of his/her rights as a member of the City Council, including the right to make motions and the right to vote. The Mayor or other presiding officer shall have the following powers:
   a. To rule motions in or out of order, including any motion patently offered for obstructive or dilatory purposes;
   b. To determine whether a speaker has gone beyond the set~~reasonable~~ time limits or standards of courtesy in his/her remarks ~~and to entertain and rule on objections from other members on this ground~~;
   c. To resolve questions of parliamentary law or procedure;
   d. To call a brief recess at any time;
   e. To adjourn in an emergency.
2. A decision by the presiding officer under any of the first three powers listed may be appealed to the Council upon motion of any member. Such a motion is in order immediately after a decision under those powers is announced and at no other time. The member moving the motion need not be recognized by the presiding officer, and the motion, if timely made, may not be ruled out of order. Pursuant to Rule 3.E., each motion requires a member to second the motion, is debatable, may be amended, and requires a majority of votes cast for adoption.

C. RIGHT OF FLOOR

1. The Mayor will call the agenda item and open the floor for discussion by the Council.
2. During the question and answer session, Councilors shall be recognized by the

Mayor before speaking. The Mayor will make every attempt to allow each Councilor the opportunity to ask questions before recognizing a Councilor who has already asked his/her questions.

3. The Mayor shall moderate the Council's discussion and comment session by recognizing individual Councilors in the order in which they have indicated the desire to speak. The Mayor will make every attempt to allow each Councilor the opportunity to comment before recognizing a Councilor who has already commented.
4. When a Councilor desires to ask a Councilor who has just finished speaking a question to clarify a point, he/she should immediately address the Mayor requesting the opportunity to ask the question.
5. If one or more Councilors wish to further explore a particular point made by another Councilor, he/she should address the Mayor requesting the opportunity to do so. The Mayor at his/her discretion may allow the exploration of a specific point by allowing Councilors to speak to that point before resuming the original moderated discussion.
6. During that exploration (see 4. above), the Mayor shall monitor the discussion to preclude protracted arguments over those points encouraging instead that Councilors use their moderated discussion turn to continue their argument.
7. With or without a request from a Councilor, the Mayor may announce that the Council is in "open discussion" to facilitate a freer form of conversation and debate on an issue. During open discussion, Councilors may speak without being recognized and may address each other but will adhere to the conventions of respectful, civil dialogue. The Mayor may set a time limit for the open discussion and may end it at any time.

D. ACTION BY THE COUNCIL

1. Any member, including the Mayor, may make a motion, and any member other than the member making the motion, including the Mayor, may second a motion.
2. A motion may only address a single point. Where a series of actions or decisions are required, each action or decision shall be a separate motion.
3. Last minute extended editing or "word crafting" of complex motions during Council meetings is discouraged. However, when it is necessary for the Council to "word craft" a complex motion, that motion shall be made available to the Council in writing, either on screen or in hard copy, prior to their voting. If the issue is not time sensitive, the motion may be tabled to the Consent Item Section of the next regular Council meeting to allow City staff to properly formulate the motion.
4. If the motion is time sensitive requiring immediate action by the Council, the Mayor will request a recess to allow City staff to prepare the motion on screen or in hard copy.
5. A substantive motion is out of order while another substantive motion is pending.
6. No further discussion will be allowed after a motion has been voted on, unless there is a motion to reconsider.

E. PROCEDURAL MOTIONS

Certain Other Motions Allowed: In addition to substantive motions, generally only the

following procedural motions are in order. Unless otherwise noted, each motion requires a separate member to second the motion, is debatable, may be amended, and requires a majority of votes cast for adoption.

Procedural motions are in order while a substantive motion is pending and at other times, except as otherwise noted. In order of priority, the procedural motions are:

1. Motion to Appeal a Procedural Ruling of the Presiding Officer: A decision of the presiding officer ruling a motion in or out of order, determining whether a speaker has gone beyond reasonable standards of courtesy in his/her remarks, or entertaining and answering a question of parliamentary law or procedure may be appealed by motion~~to the Council~~ as specified in Rule 3.B.2. This appeal is in order immediately after such a decision is announced and at no other time. The member moving the motion need not be recognized by the presiding officer and the motion, if timely made, may not be ruled out of order.
2. Motion to Adjourn: This motion may be made only at the conclusion of action on a pending substantive matter; it may not interrupt deliberation of a pending matter. A motion to recess to a time and place certain shall also comply with the requirements of Rule 3(A)(7).
3. Motion to Take a Brief Recess: This motion, which allows the Council to pause briefly in its proceedings, is similar to the motion to recess. A motion to take a brief recess is in order at any time except when a motion to appeal a procedural ruling of the presiding officer or a motion to adjourn is pending. Under these Rules, the Mayor or other presiding officer has the power to call a brief recess at any time in accordance with Rule 3(B)(1) (d).
4. Motion to Follow the Agenda: This motion must be made at the first reasonable opportunity. It is intended to ascertain by a vote of the Council whether the open meeting laws are being adhered to with regard to the discussion being pursued by the City Council. Prior to voting on this motion, the Council may request and receive legal advice from the City Attorney.
5. Motion to Suspend the Rules of Procedure: This motion is made per Rule 1(B)(4) above.
6. Motion to Go Into Executive Session: The Council may go into executive session for one or more of the permissible purposes set forth in A.R.S. § 38-431.03(A), so long as such purpose and a description of the subject matter or issue being discussed is set forth in the meeting agenda. The motion should cite for the record the purpose of the executive session.
7. Motion to Come Out of Executive Session: This motion provides a procedural mechanism for returning from an executive session to an open meeting.
8. Motion to Defer Consideration: The Council may defer a substantive motion for later consideration at an unspecified time, or in order to ensure that a motion is duly considered, may defer consideration to a date and time certain.
9. Motion to Suspend Discussion and Vote on the Motion at Issue: This motion is not in order until there has been at least ten (10) minutes of debate, any members of the public wishing to speak on the issue have been given an opportunity to do so, and every member of the Council has had an opportunity to speak once. If this motion passes, then a vote will immediately thereafter be taken on the substantive motion at issue.
10. Motion to Amend a Pending Motion: An amendment to a motion must be

pertinent to the subject matter of the motion. An amendment is improper if adoption of the motion with that amendment added would have the same effect as rejection of the original motion. A friendly amendment to a motion may be accomplished if the maker of the original motion indicates agreement to amend his/her motion in accordance with the proposed amendment. Upon such agreement, the motion is deemed amended. Absent a "friendly amendment," a motion may be amended only upon a majority vote.

11. Motion to Reconsider a Past Action of the Council: The following rules will govern any matter coming up for reconsideration after it has been acted upon by the Council.

a. After a matter has been voted upon by the Council, any ~~absent Councilor or~~ Councilor who voted with the prevailing side may, within sixty (60) days, request that the City Manager place the issue of reconsideration on the next available Council meeting agenda.The motion to reconsider will be debated and voted upon by the Council. ~~, and i~~If passed, the Council will then deliberate anew on the substantive issue being reconsidered, and vote anew after a motion has been made and seconded.

b. After a motion to reconsider has been acted upon, no other motion for reconsideration on that matter may be made without unanimous consent of the Council.

c. Certain issues may or may not be subject to reconsideration depending on whether or not reconsideration would create a potential claim of equitable estoppel against the City. Examples of matters that could potentially give rise to such a claim include, but are not limited to:

   1) Reconsideration of decisions involving the rezoning of property, where a previously made decision has created vested rights in favor of the property owner.
   2) Reconsideration of bid awards where an awardee has reasonably relied on a previous Council decision and has committed money and or resources to the project.

d. The City Attorney will review any request for reconsideration to determine whether or not it creates a potential legal liability for the City and will advise the entire City Council either by way of privileged written communication or in executive session.

F. ATTENDANCE BY STAFF

The City Manager, City Attorney or Assistant City Attorney, and the City Clerk or Deputy City Clerk shall attend all regular meetings of the Council unless excused by the Mayor. The City Manager may make recommendations to the Council and shall have the right to take part in all discussions of the Council. If the City Clerk and Deputy City Clerk are excused from an executive session, an alternate Clerk will be appointed. The City Clerk shall keep the official minutes and perform such other duties as may be required by the Council. The attendance of other staff members will be as directed by the City Manager. Notwithstanding the above, the City Attorney and City Manager need not attend City Council meetings wherein the only business

transacted concerns interviews for Commission or Committee positions. In addition, neither the City Manager, City Attorney, or City Magistrate shall attend annual Council evaluations outside of their own evaluation.

G. CLARIFYING COUNCIL DIRECTION

When the Council gives general direction to the staff without voting on a motion, the City Manager will restate for the record the final direction given by the Council in order to avoid any confusion. If the Council disagrees with the restatement, they may make corrections setting forth the direction to be given.

H. RECORDING VOTES

1. On all voting matters, if the vote is other than unanimous, the Mayor shall state for the record, and the Clerk shall have recorded in the minutes, all yea and nay votes. In the case of a tie vote on any motion, the motion ~~shall be considered~~fails ~~lost~~. Any motion for approval which fails to receive a majority vote of the quorum~~carry~~ shall be considered a denial of the proposal. Any motion for denial which fails to receive a majority vote of the quorum ~~carry~~ shall not be considered an approval of the proposal. A subsequent motion for approval of the proposal may then be made. A roll-call vote shall be taken upon the request of any Councilor.
2. If the Mayor calls out a vote count and a Councilor believes the vote count is incorrect, he/she must ask for a roll call at the time of the vote. Once announced, the vote total is final. If a Councilor wishes to abstain from voting, that member must do so prior to the issue being discussed and explain the abstention. A Councilor indicating an intention to abstain from voting may not participate in the discussion and should leave the dais.

I. MINUTES OF THE MEETINGS

1. Minutes of all open meetings of the Council shall be kept by the Clerk and shall be entered in a book constituting the official record of the Council.
2. Appropriate technology recordings of all open Council meetings shall be retained for a minimum of three years and may, within the City Clerk's discretion, be retained for a longer period after the minutes of the meeting are approved.
3. If a person needs to refer to the details of a discussion, he/she should refer to the meeting's recording, in accordance with Section M of this Rule. The City Clerk will exercise his/her best discretion, in accordance with appropriate minute taking procedures, to assure that the substance of the meeting is recorded accurately and that the name of each person speaking is recorded.
4. If a member of the Council or the public presents written material they wish to have included in the official record of the meeting, this will be done. The material will be attached to the original minutes that will be kept on permanent file in the Clerk's office.
5. Copies will not be included with the minutes that are distributed. Copies of attachments will be made available to Councilors upon request.
6. The City Clerk will tape record executive sessions whenever possible. Either the recording or minutes will be maintained in accordance with A.R.S. § 38-431.03, and shall be kept confidential. If the City Clerk or Deputy City Clerk cannot attend an executive session due to a conflict of interest, the tapes or minutes for that

session shall be retained in the City Manager's Office until the conflict has been resolved.

J. READING OF MINUTES

Minutes will not be read unless requested by a quorum of Councilors. Copies of the minutes shall be distributed to Councilors upon request. A master copy of the minutes is available for review in the City Clerk's Office prior to the meeting at which they are to be approved.

K. CORRECTIONS TO COUNCIL MINUTES

1. If a Councilor has corrections, other than substance, such as spelling or punctuation, he/she may call them into the City Clerk or present them in writing before the next meeting and they will be corrected accordingly.
2. All corrections that have been approved by the Council at a Council meeting will be made to the original minutes in question before the City Clerk signs the certification form.

L. ORDINANCES AND RESOLUTIONS~~: CONFINED TO ONE SUBJECT: EXCEPTIONS~~

1. Generally, an ordinance is needed for: amending City Code, levying any tax or assessment, annexations, and deannexations.
2. Generally, a resolution is needed for: intergovernmental agreements, development agreements, changes in rates or fees (including development impact and wastewater fees), selling real property, and authorization for eminent domain.
3. An emergency ordinance is a law or regulation enacted by a three-fourths vote of City Council and approved by the Mayor to address a threat to public safety, health, or welfare. An emergency declaration is a formal announcement by the Mayor that an emergency exists triggering the specific powers listed in SCC 2.10.040.

~~No ordinance, except an appropriation ordinance, an ordinance adopting or embodying an administrative or governmental code, or an ordinance adopting a code of ordinances shall relate to more than one subject, which shall be clearly stated in its title.~~

M. APPROPRIATE TECHNOLOGY OF MEETINGS

Councilors have the right, if they wish verbatim portions of a particular meeting, to use copies of the official media to obtain this information for themselves. An appointment shall be made for the appropriate media use. (If a Councilor requests the City Clerk to perform this task, it will be done when the Clerk can judiciously do it without impeding the City Clerk's official daily work.) Master recordings shall not be removed and must physically remain in the possession of the City Clerk's Office.

N. CONFLICTS OF INTEREST

1. Each Councilor has responsibility for compliance with the provisions of A.R.S.

Title 38, Chapter 3 Article 8[1], concerning conflicts of interest. When a Councilor recognizes a conflict of interest, the member shall announce the conflict, refrain from discussion or voting on the matter and shall leave the dais. A Councilor should consult with the City Attorney well in advance of any decision where there may be a potential conflict of interest.

2. A Councilor may in certain situations choose to abstain from participation in a matter even though he/she does not have a legal conflict of interest. However, such abstentions, absent compelling personal convictions or a strong perception of a moral conflict of interest, are discouraged. Ultimate discretion concerning personal abstentions are, however, left to the discretion of the individual Councilor. In such cases, the Councilor should announce his/her decision to abstain before any discussion of the item in question begins, and should thereafter refrain from discussion and voting on the matter, and should leave the dais. By participating in discussion of an item, Councilors thereby waive their right to abstain from voting.

O. MEETING TIME LIMITS

The Council will make every effort to comply with the proposed time limits established for each item on the agenda. However, any Councilor, after four (4) hours of meeting time has elapsed, may make a motion to continue the meeting to a date and time certain. Any Wednesday Work Session or Special Meeting ~~shall~~ may contain an item at the beginning of the agenda providing for consideration of items continued from the prior meeting.

1. General

   a. The Mayor may remind Councilors of these guidelines during a meeting.
   b. Councilors are encouraged to read the packet ahead of time and submit questions to staff by the Monday of a Council meeting week.
   c. As much as possible each Councilor should be given the opportunity to speak before a Councilor speaks a second time.

2. Time Monitoring

   a. It is not necessary to speak on every issue. When you do speak, do not ask questions that have already been answered, do not repeat information, make your point as quickly as possible, and be mindful of the time you take.
   b. The Mayor may interrupt a Councilor if he/she is repetitious or not on topic.
   c. The Mayor may remind the Council about time.
   d. The Mayor may limit discussion when it appears that statements are redundant and that the time has come to vote.

3. Agendas

   a. Agendas may include a recommended time limit next to each item. The Mayor may remind Councilors when the time limit is being approached.
   b. Placing items on the agenda that could be handled administratively should be avoided.
   c. Less time-sensitive items may be delayed to a later meeting when major substantive issues are on the agenda.
   d. ~~Agendas may be chronologically rearranged by t~~The M~~m~~ayor may take items

out of order on the agenda after consulting with other Council members if it is determined to be in the best interest of facilitating the meeting. ~~while also ensuring compliance with Open Meeting laws.~~

4. Public Input and Presentations

a. Presentations and reports shall include detailed, written materials in the Council's packet. Speakers should present the key points only and not just read what is already in the Council packet.
b. Presenters shall make every attempt to stay within the time designated on the agenda bill. Additional time may be granted at the discretion of the Mayor.
c. The Mayor may manage public input by asking the public:

1) To not repeat what previous speakers have said on the issue.
2) That if they have nothing new to add to what other speakers have said, then to simply indicate they are for or against the item.
3) For the next speaker to stand "on deck" to save time.

P. ORDER OF BUSINESS

1. Generally: The general order of business in regular meetings shall be as follows:

a. Call to Order/Pledge of Allegiance/Moment of Silence
b. Roll Call
c. Moment of Art (Second Tuesday only)
d. Consent Items
e. Appointments
f. Summary of Current Events by Mayor/Council/City Manager
g. Public Forum
h. Proclamations, Recognitions, and Awards
i. Regular Business
j. Reports on Council assignments
k. Requests for future meetings/agenda items. Councilors should be apprised of topics/issues that are being prepared for future Council agendas or possible executive session items
l. Executive Session
m. Return to Open Session
n. Adjournment

2. Consent Items: Many items of business require action by the Council, but are of a routine and non-controversial nature. In order to expedite the public business and provide time for deliberation of non-routine matters, a Consent Items Section shall be used as follows:

a. When any item of business requires action by the Council, but is routine, such items may be presented as part of the Consent Items Section.
b. Any member of the Council, City staff, or the public may request that an item be removed from the Consent Items Section. All such items shall be considered individually and acted upon with a motion in the order in which they appeared in the Consent Items Section.

1) Whenever possible, Councilors should attempt to notify the Mayor and the City Manager, at least one hour before the meeting commences, of their

intent to remove any item from the Consent Items Section.

c. Following the removal of items from the Consent Items Section, there shall be no debate or discussion by any Councilor regarding any items remaining in the Consent Items Section beyond asking questions for simple clarification.
d. The Consent Items shall be introduced by a motion "to approve the Consent Items" and shall be considered by the Council as a single item.
e. The motion to approve the Consent Items Section shall be equivalent to approval, adoption, or enactment of each motion, resolution, or other item of business exactly as if each has been acted upon individually. The motion of approval is only for those items that have not been removed from the Consent Items Section.

3. Proclamations: Proclamations may be placed on the agenda by the City Manager or with the sponsorship of any two Councilors ~~members~~, or by a Councilor with the sponsorship of two separate Councilors.

a. Before placing a Proclamation on the agenda, due consideration should be given concerning whether the Proclamation is consistent with the City's vision statement and the goals of the Community Plan. Those that promote a particular political or religious agenda will not be accepted.
b. All Proclamations must be submitted in accordance with the City's established timeline for placing items on a Council agenda and ~~must be~~are generally approved as part of the Consent Agenda prior to being presented. Proclamations will be read and presented only when the recipient of the Proclamation so requests and is present to receive it at the Council meeting where it is considered.

4. Summary of Current Events: This portion of the agenda should be confined to items such as recent or upcoming meetings or events of interest to Councilors and the public. It should not be used to state a position or deal with an issue. Such items should be agendized for future meetings.
5. Commission /Council Joint Meeting and Written Reports: The City Council will meet individually with each commission as needed to give direction. For this meeting, each commission chair is required to submit~~,~~ a written status report summarizing accomplishments and major issues for his/her commission. The Council liaison for each commission or the Mayor, may at his/her discretion, bring back to the Council a request for an additional Council meeting if it appears to be warranted.

Q. TIME LIMITATIONS REGARDING PUBLIC PARTICIPATION

1. Public Forum: During the "Public Forum~~,~~" at each regular Council meeting, each member of the public will generally be limited to three minutes to speak on matters not on the agenda, unless the Mayor reduces the limit to allow time for all speakers. If at the expiration of three minutes a request for additional time is made, the request will be considered at the sole discretion of the Mayor. During an open call to the public, individual Councilors may respond to criticism made by those who have addressed the public body, may ask staff to review a matter, or may ask that a matter be put on a future agenda. However, Councilors shall not discuss or take legal action on matters raised during an open call to the

public unless the matters were properly noticed for discussion and legal action.

2. Public Input Concerning Agenda Items: During the "Agendized Portion" of ~~the~~ a ~~regular~~ Council meeting, each member of the public will generally be limited to three minutes per item, unless the Mayor reduces the limit to allow time for all speakers. Speakers may be granted additional time by the Mayor. In the event a Councilor verbally objects, a vote will be taken.

    a. Individuals opposed to or supporting an agenda item will be recognized by the Mayor and must state his/her name and city of residence or county, then speak on the issue. In the interest of time, the Mayor may request that he/she does not repeat statements presented by previous speakers. If the person does not wish to speak, the person can simply state his/her name and position on the issue.
    b. The Mayor **may** grant additional time to speakers representing two or more persons present at the meeting and who have filled out speaker cards.
    c. Councilors may ask speakers questions at the conclusion of the public input period.
    d. Any Councilor may make a procedural motion to re-open the public comment period, if it is perceived that members of the public wish to offer additional comments or rebuttal to matters presented after the original public comment period is closed. The Council will vote on the motion and if passed, the public comment period will be reopened.

3. Public Disruption: The Mayor has the authority to preserve order at all Council meetings, and may call for recess and/or remove for cause ~~the removal of~~ any person from any Council meeting. A member of the public who disrupts and is ordered removed from a Council meeting shall be excluded from the remainder of that meeting.

4. Planning and Zoning and Board of Adjustment Appeals: If the item before the City Council concerns an appeal from the Planning and Zoning Commission~~of a planning and zoning issue~~ or an appeal from the Board of Adjustment Hearing Officer, the appealing party and the party defending the prior decision will each be given twenty (20) minutes to present their position and respond to questions from the Council. The Council will then allow public comment in accordance with the three-minute rule governing such comment. Following the public comment period, the appealing and defending parties will each have five (5) minutes for rebuttal. The Council will then ask questions, deliberate, and reach a decision on the appeal.

    a. After an appeal from the Board of Adjustment Hearing Officer has been filed ~~in a matter~~ where the Council is acting in a quasi-judicial capacity, and during the pendency of the~~an~~ appeal before the City Council, a member of the City Council may not communicate directly or indirectly with any party or person about any issue of fact or law regarding the appeal, except at a meeting of the Council.
    b. Notwithstanding Section a. above, no decision or action of the City Council shall be invalid due to ex parte contact or bias resulting from ex parte contact with a member of the decision-making body, if the member of the decision making body receiving the contact:

1) Places on the record the substance of any written or oral ex parte communications concerning the decision or action; and
2) Gives notice before or at the hearing of the parties' right to rebut the substance of the communication.

R. AGENDAS

1. Determination of Specific Items to be Included. Two Councilors, the City Manager, or a Department Head may request to have items placed on the agenda. Council members wishing to place an item on a future agenda may make the request at a City Council meeting during Future Meeting/Agenda Items. As an alternative or if the item is of a time sensitive nature, the Councilor may contact the City Manager with the request. The City Manager shall be notified of all upcoming agenda requests from Councilors so that staff can be prepared.

   a. In the case of Council members, the support of at least ~~two~~ three (~~2~~3) Councilors is required to have items placed on the agenda. ~~An item supported by at least four (4) Councilors shall be placed on a future agenda without the need for an introductory item discussion. If the City Manager determines that an item supported by fewer than four (4) Councilors will require substantial research and/or staff time (generally more than two hours), the item will initially be agendized as a 20-minute introductory item (10 minutes for presentation and 10 minutes for discussion) and a majority support of Council will be required to pursue the item further. Introductory items that fail to receive the majority support of Council may not again be placed on the agenda by the same two Councilors for 90 days.~~

   b. An agenda item submitted by Councilors shall be placed on a regularly scheduled Council meeting agenda within two (2) meetings of the submitted request. The agenda item may be postponed because of other agenda item priorities as determined by the agenda team.

   ~~b.~~c. The general public may have items placed on the agenda only through Councilors.

   ~~c.~~d. Requests by Councilors for information or reports concerning the administration of the City or matters having to do with actions of or failure to act by the City staff or amenable to administrative disposition shall not be placed on the agenda of any Council meeting until the City Manager shall have been given a reasonable opportunity to resolve the matter and to furnish the interested Councilor or Councilors with an explanatory statement.

   ~~d.~~e. The City Council may, by majority vote, identify items to be added to the agenda of a specified future Council meeting.

   ~~e.~~f. Items submitted by Department Heads for consideration as possible agenda items shall be presented to the City Manager and City Clerk under cover of a transmittal form, "Request for a City Council Agenda Item."

   ~~f. An agenda team comprised of at least the City Manager, Mayor, Vice Mayor, City Attorney, and City Clerk shall meet prior to the regular meeting to select, discuss, and prioritize the draft agenda items and decide their placement on future agendas.~~

~~g. An agenda item submitted by two Councilors shall be placed on a regularly scheduled Council meeting agenda within two (2) meetings of the submitted request. The agenda item may be postponed because of other agenda item priorities as determined by the agenda team.~~

~~h.~~g. As soon as the "draft agenda" is set, the City Clerk shall distribute it by email to all members of the City Council.

~~i.~~h. Only in extraordinary circumstances and after approval of the Mayor should any additional agenda items be added to the City Council packet after its distribution.

~~j.~~i. Once Councilors receive their meeting packets, any typographical or housekeeping errors in ordinances or resolutions under consideration should be presented in writing to the Clerk before the meeting at which they are considered and the necessary changes will be made by the Clerk for consideration by the Council at the Council meeting.

2. Posting of Agendas: All agendas for regular meetings shall be posted in one (1) official public place~~s~~ as well as the City's website. All agendas will be publicized in the local newspaper on the Friday prior to the scheduled meetings. Agendas published in the newspaper will be marked "tentative," and will have the following disclaimer "This is an unofficial tentative agenda and is subject to change until twenty-four (24) hours before the actual meeting. To review the final agenda(s), please consult with officially posted agenda(s) within twenty-four (24) hours of the meeting time." Agendas will be posted by Friday, but in no case (other than an emergency meeting) later than twenty-four (24) hours prior to the meeting.

RULE 4

MAYOR, VICE MAYOR, DUTIES & SUCCESSION

A. MAYOR

1. Preservation of Order: The Mayor shall preserve order and decorum, decide all questions of order, prevent intrusion upon personalities or the impugning of members' motives, confine members in debate to the question under discussion, and conduct the meetings in accordance with parliamentary rules contained in Robert's Rules of Order (Revised). These Rules shall prevail in cases of conflict with Robert's Rules of Order.
2. Questions to be Stated: The Mayor shall state all questions submitted for a vote and announce the results. The recording of votes shall be in accordance with Rule 3, Section H.
3. Voting: The Mayor shall vote as a member of the Council.
4. Powers and Duties: The powers and duties of the Mayor are described in SCC 2.10.040. ~~shall include thefollowing:~~
5. ~~Pursuant to A.R.S. § 9-273(B), Sserve as the chief executive officer of the City;~~
6. ~~Be the chairman of the Council and preside over its meetings. He/she may make and second motions and shall have a voice and vote in all its proceedings;~~
7. ~~Enforce the provisions of these Rules;~~
8. ~~Execute and authenticate by his/her signature such instruments as the Councilor any statutes, ordinances, or these Rules shall require;~~
9. ~~Make such recommendations and suggestions to the Council as he/she mayconsider proper;~~
10. ~~Declare, by proclamation, a local emergency to exist due to fire, conflagration,flood, earthquake, explosion, war, bombing or any other natural or man-madecalamity or disaster or in the event of the threat or occurrence of riot, rout or affray or other acts of civil disobedience which endanger life or property withinthe City. After declaration of such emergency, the Mayor shall govern by proclamation and impose all necessary regulations to preserve the peace andorder of the City, including but not limited to:~~
11. ~~Imposition of a curfew in all or any portion of the City;~~
12. ~~~~
13. ~~Closing to public access of any public building, street, or other public place;~~
14. ~~Calling upon regular or auxiliary law enforcement agencies and organizations within or without the political subdivision for assistance.~~
15. 4. ~~Perform such other duties required by state statute and these Rules as well asthose duties required as chief executive officer of the City.~~

B. VICE MAYOR

1. Designation/Election: At the Council meeting when new Councilors are seated following a general election, the Council shall designate one of its members as

Vice Mayor, who shall serve, at the pleasure of the Council, until after the next general election. The designation process shall be as follows:

a. The Mayor will solicit a single nomination from the Mayor and each Councilor desiring to nominate until all nominations have been made. Nominations do not require a second. When it appears that no one else wishes to make a nomination, the Mayor will declare the nominations closed. A motion to close the nominations is not necessary.
b. After nominations have been closed, each nominee will have an opportunity to speak. If the nominee chooses to speak, it may not be for longer than three minutes. Any person so nominated may at this time withdraw his or her name from nomination.
c. Then voting for Vice Mayor will take place in the order nominations were made. Councilors will be asked for a voice vote and a raise of hands. As soon as one of the nominees receives a majority vote of the Councilors present, then the Mayor will declare that individual elected. No votes will be taken on the remaining nominees.
d. If none of the nominees receives a majority vote of Council, the Mayor will call for nominations again and repeat the process until a candidate receives a majority vote.
e. A tie vote results in a failed nomination.

2. Duties: The Vice Mayor shall have the powers to perform the duties of the Mayor during his/her absence or disability. In addition, the Mayor may delegate any of his/her ministerial duties to the Vice Mayor, including but not limited to, attendance and participation on non-City boards and committees.
3. Acting Mayor: In the absence or disability of both the Mayor and Vice Mayor, the Council shall designate another of its members to serve as Acting Mayor who shall have all the powers, duties, and responsibilities of the Mayor during such absence or disability.

C. MAYOR SUCCESSION

1. Upon the death or resignation of the Mayor, the Vice Mayor shall assume the duties of the Mayor until an interim Mayor is appointed by the City Council. The Council will fill any such vacancy by selecting the interim Mayor from among its members by majority vote. The person selected will serve until the next general election.
2. After making an interim appointment of the Mayor, the Council shall then immediately select one of its members as interim Vice Mayor, who shall serve at the pleasure of the Council until a new Mayor is elected and seated.
3. If the Councilor selected as Mayor is in his/her first or second year of a four-year Council term, then upon fulfilling the remainder of the former Mayor's two-year term, he/she will re-assume his/her position as a Councilor and complete the remainder of his/her term. If such an appointee desires to run for the office of Mayor, upon declaring his/her candidacy, he/she will be required to relinquish his/her right to re-assume his/her former position as Councilor. Upon declaring a candidacy for Mayor, because a vacancy will be created for his/her former Council seat, the Council will fill that vacancy per the options set forth in A.R.S. § 9-235.

4. Any person appointed to fill the vacancy created by a Councilor assuming the position of Mayor, will serve only until the next general election, unless appointed for a longer term per the provisions of A.R.S. § 9-235.

RULE 5

CREATION OF COMMITTEES, BOARDS & COMMISSIONS

A. COMMITTEES, BOARDS AND COMMISSIONS

The Council may create Committees, Boards, and Commissions to assist in the conduct of the operation of the City government with such duties as the Council may specify which are not inconsistent with the City Code. No member of the City Council including the Mayor shall be allowed to independently form an official City committee, subcommittee, task force, or other body however designated, without the prior approval of the City Council.

B. MEMBERSHIP AND SELECTION OF COMMISSION OR BOARD MEMBERS

1. Individuals applying for a Board or Commission must fill out and submit the City application form by the established deadline.
2. The Mayor, Mayor's designee from City Council, and the Chair (or Vice Chair if the Chair is applying for reappointment) form the reviewing body and will interview applicants for commission seats and forward a recommendation for appointment to the Council.
3. If an existing Committee member is seeking re-appointment and is the sole applicant, he/she may be interviewed at the discretion of the reviewing body.
4. In situations where a replacement is being selected who will fill less than six (6) months of a remaining term, the reviewing body may recommend to the Council that the selected candidate be appointed to serve for the remaining term, plus the next full term for that position.
5. The recommendation will be placed in the Appointments Section of the next available Council agenda for approval.
6. Any Committee, Board, or Commission created shall cease to exist when abolished by a majority vote of the Council.

C. MEMBERSHIP AND SELECTION OF COUNCIL COMMITTEE MEMBERS

1. Council Committees may be formed and members appointed at the discretion of the Council or in the manner in which Boards and Commissions are formed.
2. Committees created through Council action are subject to the open meeting laws.
3. No Committee so appointed shall have powers other than advisory to the Council except as otherwise specified by ordinance, the City Code, or State Statute.

D. RESIDENCY REQUIREMENTS

1. Planning and Zoning Commission ~~and Personnel Board~~ members shall be residents of the City of Sedona. The Historic Preservation Commission and any Committees it may appoint, may have a maximum of two members each who are not residents of the City of Sedona, but only if they have a direct connection to the City corporation limits, including but not limited to, situations such as being an employee within the City limits or owning a business or property within the City limits.

2. Special, single issue, Committees set up by the City Council shall be comprised primarily of City residents, but may have up to two non-resident members, but only if they have a direct connection to the City corporate limits such as being an employee within the City limits or owning a business or property within the City limits.

E. REMOVAL OF MEMBERS OF COMMITTEES, BOARDS & COMMISSIONS

The Council may remove any member of any Committee, Board or Commission by a majority vote of the Council, or as otherwise provided by ordinance or City Code.

F. INAPPROPRIATE ACTION/BEHAVIOR OF BOARD, COMMITTEE, OR COMMISSION MEMBERS

1. Any Committee, Board, or Commission member may not use City staff or letterhead to support personal or non-City functions or fundraisers.
2. Members of any Board, Committee, or Commission shall not use his/her official office as a means of advancing personal opinions through public statements whereby an inference can be drawn that they are speaking on behalf of the City. Any such public statements shall contain clear language indicating that such statements are the opinions and comments of the individual and are not necessarily the position of the City of Sedona.

G. ATTENDANCE AT COUNCIL, COMMISSION, COMMITTEE, BOARD OR TASK FORCE MEETINGS

In order to ensure that open meeting laws are complied with, the following procedures will govern the attendance of Council, Commission, Committee, Board and Task Force members at meetings other than those of the body that the public official serves on.

1. All notices of official City meetings will contain appropriate wording regarding the possible attendance by City Council, Commission, Committee, Board or Task Force members, such as the following example:
   "This is to notify the public that a quorum of members of the City Council or various other City Commissions, Committees, Boards, or Task Forces may be in attendance.
2. If, despite the precautions taken in Paragraph 1 above, a quorum of City Council, Commission, Committee, Board, or Task Force members appear at a public meeting, event, or private gathering, they will not congregate in a manner that would create a perception that the majority may be conducting City business.

~~The Mayor and City Councilors~~Less than a quorum of Council may from time to time be invited to attend and participate in staff-initiated committees, task forces, or ~~CEP~~ work group meetings that are not subject to open meeting laws~~, and they may always attend as observers; however, they may not serve as regular members of those committees, task forces, orwork groups~~.

RULE 6

CITIZENS' INTERACTION

A. ADDRESSING THE COUNCIL

1. Following submission of a ~~Citizen Information~~Public Comment Card to the City Clerk and when recognized by the Mayor, anyone may address the Council on any subject not on the agenda during the "Public Forum" portion of the meeting. Remarks shall be addressed to the Council as a whole, and not to City staff or any member of the general public. There shall be no Council discussion of such unagendized issues, other than to refer the matter to staff, respond to a personal criticism, or have the matter placed on a future agenda.
2. To speak on specific agenda items at other times throughout the meeting, a member of the public must fill out a "Public Comment Card" and present it to the City Clerk before or during the time that agenda item is discussed. The person must fill out his/her name, city/town of residence, phone number, the agenda item he/she wishes to address, and the name of the group he/she represents, if any.

3. No person, other than members of the Council and the person having the floor, shall be permitted to enter into any discussion, either directly or through the members of the Council.

B. CONDUCT AT MEETINGS;

1. Members of the public shall not engage in disorderly, disruptive, disturbing, delaying or boisterous conduct, such as, but not limited to, handclapping, stomping of feet, whistling, making noise, use of profane language or obscene gestures, yelling or similar demonstrations, when such conduct substantially interrupts, delays, or disturbs the peace and good order of the proceedings of the council.
2. Members of the Council shall not, by disorderly, insolent, or disturbing action, speech, or otherwise, substantially delay, interrupt or disturb the proceedings of the Council.
3. Any person who becomes disruptive while attending a Council meeting in a manner that constitutes disorderly conduct per A.R.S. § 13-2904[2], may be requested to leave the meeting and, if necessary, the Mayor may request that the police escort the person from that particular meeting.

C. RESPONSE TO CITIZENS' COMPLAINTS

In response to a citizen's complaint, the Councilor may refer the complaint to the City Manager in accordance with provisions of Rule 2, Section I.

D. WRITTEN COMMUNICATIONS

Interested parties or their authorized representatives may address the Council, in writing, regarding any matter concerning business over which the Council has

control.

[2] A person commits disorderly conduct if, with the intent to disturb the peace or quiet of a …person, or with knowledge of doing so, such person:

1. Engages in fighting, violent or seriously disruptive behavior; or
2. Makes unreasonable noise; or
3. Uses abusive or offensive language or gestures to any person present in a manner likely to provoke immediate physical retaliation by such person; or
4. Makes any protracted commotion, utterance or display with the intent to prevent the transaction of business of a lawful meeting, gathering or procession; or
~~4.~~5. Refuses to obey a lawful order to disperse issued to maintain public safety in dangerous proximity to a fire, a hazard or any other emergency; or
~~5.~~6. Recklessly handles, displays or discharges a deadly weapon or dangerous instrument.

RULE 7

PROCEDURE FOR COUNCIL AND CITY MANAGER (OR DESIGNEE) LIAISONS/REPRESENTATIVES TO PROVIDE INPUT TO REGIONAL BOARDS AND COMMITTEES

A. APPOINTMENT

Appointments shall be made at the Mayor's discretion with input from the City Manager. Appointments will be revisited and possibly reassigned following City Council elections. Councilors may express interest in certain liaison roles; however, the final determination for the appointment will be a decision of the Mayor. New liaison roles will be approved by the Mayor and City Manager. City staff may be assigned in lieu of a City Councilor.

B. ROLES

Roles are defined in the categories of Informal Voluntary, Financial Relationship, and Shared Governance.

1. Informal Voluntary - liaisons to these organizations are voluntary based on interest from Councilors. Liaisons should limit activity to attending meetings, collecting information, and reporting back to Council. Councilors are discouraged from giving general reports except those that are limited to information relevant to the organization to which the liaison serves or as otherwise directed by Council.
2. Financial Relationship - liaisons to these organizations are established based on a significant, ongoing financial contribution, often resulting in a service contract, MOU, IGA, or a specific service rendered in exchange for a fee. Liaisons should play a more active role in observing and assessing fiscal stewardship and alignment between funding and any stated goals or outcomes associated with funding from the City. Whenever practical, Council should provide input to liaisons so they can more effectively represent the City. Input could be related to seeking specific information from the organization such as annual reports or audits or direction given to advocate for certain outcomes. Liaisons should never vote or make commitments on anything without delegation from Council. The Council liaison and staff liaison should coordinate efforts to maximize effectiveness of both positions and eliminate possible conflicting information.
3. Shared Governance - liaisons should play the most active role; influencing the organization through voting, lobbying, and other means in the interest of the City. Whenever practical, Council should provide input to liaisons so they can more effectively represent the City. Input could be related to seeking specific information from the organization such as annual reports or audits or direction given to advocate for certain outcomes. Liaisons should never vote or make commitments on anything without delegation from Council. The Council liaison and staff liaison should coordinate efforts to maximize effectiveness of both positions and eliminate possible conflicting information.

C. REPORTS TO COUNCIL

After appointment ~~by the City Council~~ to a Board or Committee, the Council representative should periodically report items of significance to the Council as part of the Council Assignments portion of City Council meetings and may also wish to provide periodic updates to the City Manager.

D. DIRECTION FROM COUNCIL

1. Upon the request of the Council representative, issues may be agendized for Council consideration before the next Board or Committee meeting so the representative may receive instruction and direction from the Council. Staff may also participate in and make a recommendation to the Council.
2. The City Council will deliberate and indicate by motion the instruction and direction which the representative is to present in representing the City before regional Boards~~bodies~~ and Committees.

E. SPEAKING ON BEHALF OF COUNCIL

1. If a Councilor appears before any federal, state, regional, county or other governing body, board or committee, and has not received any direction from the City Council as a whole concerning matters which are being discussed, any comments or statements made by said Councilor should clearly indicate that the Councilor is speaking only as an individual and that his/her comments should not be construed as representing the views of the City of Sedona or the Sedona City Council. (See Rule 2, Section F, Paragraphs 1 and 2)
2. Where time constraints require immediate input on behalf of the City, and where the Councilor has a substantial good-faith basis for assuming that there would be strong Council support and there is support for the particular issue in the Community Plan and/or Strategic Plan, the Councilor may proffer a tentative City position and shall thereafter give, within twenty-four (24) hours, written notice to other Councilors and the City Manager of the position taken.

CITY OF SEDONA

POLICIES

POLICY A

LIQUOR LICENSE APPLICATIONS

The Sedona City Council shall consider all applications for Liquor Licenses in accordance with Arizona Revised Statutes, Title 4, unless that authority has been delegated to City staff by an official Council Resolution.

POLICY B

ELECTRONIC MAIL (E-MAIL) AND INTERNET POLICY

A. COUNCIL SPECIFIC PROVISION

City Councilors may communicate with each other via e-mail concerning City business under the following conditions and in compliance with the Open Meeting and Public Records laws:

1. E-mail communications concerning City business or City related issues are considered public records. If an email related to City business is received by an account other than a City email account, this email shall be forwarded to the official City email account for records preservation. The email will be preserved and made available for public inspection.
2. E-mail cannot be used as a means of discussion of City business between all or a quorum of members of the City Council.
3. E-mail cannot be used as a means of taking straw polls on City issues.
4. E-mail cannot be used to facilitate a form of "hub and spoke" communication whereby one Councilor acts as a go-between disseminating communications between other Councilors. In summary, communication by e-mail cannot be used as a means of circumventing the open meeting laws.
5. A Councilor may use e-mail to distribute informational material to all other Councilors through the City Clerk. However, such distribution should not be made with the intent to initiate responses from other Councilors. Any discussion of such informational communication should be reserved for public City Council meetings.
6. E-mail communication to or from the City Attorney concerning pending litigation or legal advice should contain a warning in the subject line stating: "Confidential Attorney-Client Privileged." A corresponding copy of the e-mail should also be sent to the City Clerk's direct e-mail address. The Clerk will make a hard copy of the e-mail and maintain it in a confidential non-public file. Such communications should also contain the following boilerplate at the end of the communication:

> The information contained in this message is attorney/client privileged and/or confidential information intended only for the use of the individual or individuals named above. If the reader of this message is not the intended recipient, you are hereby notified that any dissemination, distribution, copying or printing of this communication is strictly prohibited. If you have received this message in error, please notify us immediately by telephone at 928-204-7200 (or by reply e-mail) and delete this message.
> Thank you.

B. CITY WIDE E-MAIL INTERNET POLICY

1. Purpose

a. This policy sets forth the parameters for the proper use, preservation, disclosure and disposition of electronic mail (e-mail). It also establishes appropriate standards for use of the Internet within the City.

b. This policy applies to all employees and public officials including City Councilors and members of City Committees or Commissions who access e-mail or the Internet through the City computer network, either by way of a City computer or through a remote connection to the City computer network.
c. E-mail is a communications tool that, when made available to City employees, is provided for performance of their duties. E-mail is to be used for official business purposes. Personal messages shall be kept to a minimum. No solicitations shall be conducted through e-mail.
d. The City's connection to the Internet exists to facilitate the official work of City staff members. The Internet facilities and services are provided for staff members for the efficient exchange of information and the completion of assigned responsibilities.
e. Employees shall not be granted access to the e-mail system until they have read this policy and signed and have returned the Policy Consent Form to Human Resources.

2. General Policy Statement for E-mail

a. The City of Sedona maintains an electronic mail system in order to facilitate expeditious communication among City employees, public officers, citizens and persons or companies doing business with the City. The contents of all electronic mail messages composed, sent or received on the City electronic mail system are the intellectual property of the City of Sedona, and are not the private property of any employee or public official. The use of the e-mail system is a privilege; therefore, acceptable use of the e-mail system is based on good judgment and common sense. Employee e-mail accounts are not to be used as the sole or primary e-mail address for personal correspondence.
b. The confidentiality of any e-mail message should not be assumed. Even when a message is deleted, it may still be possible to retrieve and read that message. Further, the use of passwords for security does not guarantee confidentiality. The City reserves the right to review, audit, intercept, access and disclose all e-mail messages created, received, or sent over the City's electronic mail system. Except as noted in Par. A(3) below, the contents of electronic mail may be disclosed without the notice or permission of the sender. Notwithstanding the City's right to retrieve and read any electronic mail messages, such messages shall be treated as confidential by other employees and public officers and shall be accessed only by the intended recipient. No electronic messages may be monitored, reviewed, audited, intercepted, accessed, or disclosed without the authorization of the City Manager.
c. No electronic messages created, received or sent over the electronic mail system by any employee or agent of the Sedona City Attorney's office may be monitored, reviewed, audited, intercepted accessed or disclosed without the prior written authorization of the Sedona City Attorney. This policy complies, in all respects, with the provisions of the Rules of the Supreme Court, Rule 42, Professional Conduct, including, but not limited to the provisions of ER 1.6, Confidentiality of Information.
d. The City Clerk's Office is responsible for creating and distributing the e-mail records policy, in accordance with State Statute and City requirements.

C.

~~C.~~D. **DEFINITIONS**

1. Electronic Mail (e-mail): Electronic Mail is any transmission of messages, including attachments and imbedded objects, through the City's computer information network by electronic means.
2. Public Records: For purposes of this policy, Public Record means any e-mail communication made or received by any City employee or public officer in pursuance of law or in connection with the transaction of public business including, but not limited to, communications that concern the City's organization, functions, policies, decisions, procedures, operations or other activities or which are of informational or historical value. Few records in the possession or control of an employee or public officer will not be considered "Public Records." Exceptions include routine e-mail communications of a personal nature, spam, or communications containing information that is not related in any way to City business.
3. Routine E-mail: Routine E-mail Communications include communications that are routine in nature such as those used to schedule meetings or conference calls, notices of vacations, times away from the office, etc., and which have little relevance in terms of recording official actions or decisions made by City staff or public officials.

~~D.~~E. **SECURITY, PRIVACY AND OWNERSHIP ISSUES**

1. E-mail is Not Secure. E-mail transmitted inside the City is more secure than e-mail transmitted via the Internet. If additional security is needed for sensitive information, such as for health records information, then additional security measures, such as encrypted e-mail messages, must be taken to secure the contents of the message or another form of communication should be used.
2. Expectation of Privacy: Employees using e-mail shall have no expectation of privacy related to the use of this technology. E-mail may be a public record subject to disclosure under the Arizona Public Records Law (Arizona Revised Statutes (A.R.S.) § 39-121). Confidential messages should never be sent electronically for two reasons:

   a. Messages may inadvertently be sent to the wrong addressee.
   b. E-mail should always be used with the assumption that messages will be read by someone other than the intended recipient.

3. Property Rights: E-mail is an information technology/computer service and is the property of the City. All messages created in the system belong to the City, not employees, vendors or customers. The City reserves the right to monitor e-mail use by any user at any time.

~~E.~~F. **GUIDELINES FOR USING E-MAIL**

1. E-mail shall be used primarily for official business purposes.
2. All City e-mail addresses should not be used on any non-official business related website form.
3. E-mail communications shall be professional in content, and consistent with City policies and procedures.

4. When communicating with the City Attorney about a legal issue, always insert the phrase “Attorney-Client Privileged” in the subject line.
5. City work rules governing use of City property, record keeping and communications with others apply to the use of e-mail. Employees should never send an e-mail communication they would not feel comfortable communicating face-to-face or over the phone.
6. No e-mail communications shall be created or sent that might constitute discriminatory, harassing, intimidating, hostile or offensive communications on the basis of gender, race, color, national origin, sexual orientation, disability, or other grounds.
7. Employees shall not read the e-mail of another employee without a legitimate business purpose consistent with the City’s policies and business communications practice.
8. No employee shall send e-mail under another person’s name without that person’s authorization, and the sender shall indicate his/her identity in the message.
9. Examples of Unacceptable Use:

    a. E-mail shall not be used for personal business beyond that allowed in paragraph ~~9~~10 below, or for personal gain.
    b. E-mail shall not be used for soliciting or for issuing or forwarding serial or “chain mail”-type messages or advertisements of any commercial nature.
    c. E-mail shall not be used for soliciting or recruiting membership for commercial ventures, religious or political causes, outside organizations, or other non-job-related solicitations.
    d. E-mail shall not be used for creating any offensive or disruptive messages which contain sexual implications or comments that offensively address race, color, religion, gender, national origin, ancestry, marital status, sexual orientation, age, physical or mental disability, medical condition or veteran status, or are otherwise considered unethical, illegal, unprofessional or disruptive.
    e. E-mail shall not be used for any activity that would jeopardize the legitimate interests of the City or the citizens of the City of Sedona.

10. Personal Use of E-mail: In addition to the use of electronic mail in the performance of their job duties, employees may make limited personal use of electronic mail in circumstances similar to those appropriate for personal phone communication such as the following:

    a. Scheduling of personal appointments as an effective extension of ones overall time management, i.e., lunches, meetings, medical appointments, etc.
    b. Sharing of event-driven information and planning of work-related social events where the intent is to enhance employee morale, i.e. birthdays, marriages, birth announcements, etc.
    c. Limited personal use in corresponding to associates or family members during allowed break or lunch time.

~~F.~~G. E-MAIL RECORDS, RETENTION AND DISPOSITION

1. Public Record: E-mail communications may be public records. Any e-mail communication that meets the definition of a “public record” shall be preserved in accordance with this policy and the records retention and disposition, as approved from time to time by the State Department of Archives.
2. E-mail Retention: You are responsible for saving the e-mail record and any attachments if you are (a) the sender of the message or (b) the person receiving an e-mail record from a source outside the City. The sender includes the person who sent the original message, the sender of a response and the person forwarding a message with comment. Employees who transmit e-mail shall determine whether to preserve or delete the e-mail communication as follows:

a. Routine e-mail, communications of a transitory value, may be deleted after being read and after the required action is taken, subject to the limitations set forth in paragraphs 3, 4, and 5 below.
b. Communications that meet the definition of a “public record” transmitted on the City’s electronic mail system, or received from outside the City, through the City’s electronic mail system, shall either be printed and preserved in the appropriate file, in permanent paper format or, shall be preserved, unedited, in the employee’s or public official’s e-mail system without printing in a manner that will enable it to be easily retrieved upon request. With every communication that qualifies as a “public record,” the sender shall ensure that the following information is included and preserved.

    1) The time and date the message was sent and received.
    2) The complete sender and receiver identification.
    3) An accurate description of the subject matter of the e-mail and whether or not the e-mail is attorney-client privileged or confidential in the “Subject” section of the e-mail message.
    4) The complete message, and any and all attachments to the message. The content of the message, not the medium, determines whether and how long you save it.

3. Examples of E-mail Messages that Should be Saved as a Record:

    a. E-mail discussions with colleagues on how to deal with an issue or case are part of the public record and should be saved.
    b. If documentation is needed for a project, then save the e-mail messages related to the project.
    c. If you would save and file a message transmitted on paper, you should also save and file it if it is transmitted via e-mail.

4. Examples of E-mail Messages that Should be Deleted:

    a. E-mail messages related to routine phone calls, or routine announcements such as bulletins about social or recreational events can be deleted when you have acted on them.
    b. If you invite coworkers to a business meeting, then the messages should be deleted as soon as they are not needed.
    c. E-mail messages between you and a supervisor about a memo you are drafting for his/her signature and the various drafts of the memo itself do notneed to be saved. The supervisor should save a copy of the final signed memo.

5. Records Management Manual: Each department has a Records Management Manual that has a Department of Library and Archives approved Records Disposition schedule. If you have a question about records retention and disposition, call the City Clerk's Office.

    a. Communications subject to an existing public record request, or to formal discovery in ongoing litigation, will be preserved in the appropriate file or the e-mail system.
    b. If an e-mail message has been saved in another authorized medium, it may be deleted from the e-mail system.

6. The volume of e-mail received daily builds quickly and can affect e-mail system performance. Employees should practice good file management by regularly deleting routine e-mails when their value has been served, and consider printing a paper copy of records to retain for the length of time required for that record series, as noted in the City of Sedona's Records Management Manual.
7. Records saved in the e-mail system should be organized by topic within folders inside the employees e-mail cabinet, in which folders are named appropriately to clearly describe the contents.
8. The Information Technology Division (IT) is responsible for a weekly backup of the data of the entire e-mail system, in accordance with the following procedures:

    a. The system administrator will structure the e-mail system so that all City users will not be able to permanently delete e-mails that are moved to the "trash" folder on their individual systems. E-mails in the "trash" folder will be deleted monthly by the System Administrator in accordance with the procedure set forth below.
    b. Full data backups of the e-mail system server will be performed weekly.
    c. Each of these weekly backups will be maintained for a period of four weeks.
    d. On the first weekend of every month, the complete e-mail system backup, as required in paragraph b. above, will be made and preserved for a period of three years. This is to insure that no e-mail that is to be preserved for at least three years under the City's retention policy is inadvertently deleted. Following the successful completion of this monthly system backup, the system administrator will delete all e-mail placed in every City user's "trash" during the preceding month.

~~G.~~H. SPAM MANAGEMENT

1. The City of Sedona may use e-mail filtering, blocking, and or management software to limit, minimize, and/or delete e-mail messages that are not in accordance with the City's E-mail and Internet policy. Examples of e-mail messages that may be filtered or blocked include:

    a. Messages that are obscene in nature;
    b. Messages that are personal and are not relevant to business conducted at the City of Sedona;
    c. Messages that have a blank subject line;
    d. Messages that are from a randomly generated address;
    e. Messages that have content that is randomly generated;
    f. Messages that do not have a message body;

g. Messages that have an attachment that may contain a virus;
h. Messages that have embedded HTML comments

2. The rules for filtering and blocking messages are centralized through software. However, all employees are responsible for managing the release of all and/or any messages that have been filtered or blocked by the software. The software provides a method for employees to perform release messages from the software directly and unreleased messages will be deleted from the City's system after a specified number of days.
3. The City is not responsible for any personal messages that are blocked and/or deleted in accordance to these policy guidelines.

~~H.~~I. GENERAL POLICY STATEMENT FOR INTERNET USE GUIDELINES

1. Access to the Internet is provided to City employees for the primary purpose of conducting official City business. Employees should use the Internet to accomplish job responsibilities more effectively. The Internet may not be used for prohibited purposes, such as but not limited to, conducting private business, political campaigning, any illegal uses, or any actions listed in Section 2: Unacceptable Use. Personal use of the Internet should not have any cost to the City, be excessive in time, or interfere with an employee or co-worker's work. Employee e-mail addresses are not to be used during personal Internet usage.
2. Certain features of the Internet can clog the City's network and e-mail system, and should be used strictly for work-related purposes, such as:

a. Subscriptions to a listserv. In order for an employee to join a work-related listserv, the employee must gain permission from his/her supervisor. Then, IT must be notified in writing with the e-mail address, web address, and purpose of the listserv in order to ensure delivery of listserv e-mail.
b. Streaming media, which uses a large amount of bandwidth (for example, Internet Radio).

3. Use of the Internet is a privilege and not a right. Users should be aware that monitoring of Internet usage, including sites visited, occurs without user consent or prior notice on a regular basis. If inappropriate use is determined, the City may deny, revoke, or suspend Internet access to any user at any time.

    a. Acceptable Internet use includes the following:

        1) Communications and information exchanges directly relating mission, goals and work tasks of the City.
        2) Use for advisory, standards, research, analysis, professional society or development activities related to the user's job duties and responsibilities.
        3) Official legal or law enforcement investigations.
        4) Those specifically instructed by supervisors

    b. Examples of Unacceptable Use

        1) It is unacceptable for an Internet user to view, submit, publish, display, or transmit on the network, or any agency computer system, any unauthorized information that:

            i. Violates or infringes on the rights of any other person.

ii. Contains defamatory, false, abusive, obscene, pornographic, profane, sexually oriented, threatening, racially offensive, or otherwise biased, discriminatory, or illegal material.
iii. Violates any applicable laws, including federal, state and agency regulations, prohibiting sexual harassment.
iv. Uses the system for any illegal purpose.

2) It is also unacceptable use of the Internet or City e-mail address to:

i. Conduct personal or unapproved business, or personal business transactions.
ii. Solicit any activity prohibited by law.
iii. Transmit material, information, or software in violation of any law.
iv. Conduct any political activity.
v. Conduct any gambling, betting or gaming activity.
vi. Conduct any activity for personal gain.
vii. Make unauthorized purchases.
viii. Download software or browser plug-ins without obtaining pre-authorization from IT.

c. Personal Responsibility

1) Some Internet sites routinely keep logs of who visits their website. Individual users must be aware of and at all times attempt to prevent potential City liability in their use of the Internet. For that reason, all Internet communication, wherein the employee is expressing a personal opinion and which does not reflect the official position of the City or department, must include the following disclaimer: “The opinions expressed here are my own and do not necessarily represent those of the City of Sedona.”
2) Employees should be aware that there is a wide variety of information on the Internet. Some individuals may find some information on the Internet offensive or otherwise objectionable. Individual users should be aware that the City has no control over and can therefore not be responsible for the content of information available on the Internet.

d. Records Retention. The same policy for retention of records, set forth in the City of Sedona E-mail and Internet Policy, shall apply to all records obtained or received via the Internet. City employees who transmit or receive material via the Internet shall determine whether to preserve or delete the material and communications consistent with the records retention schedule and records retention policy of their department.

e. Copyrighted Material

1) All communications and information accessible via the Internet should be assumed to be private property. Internet users shall honor copyright laws including those protecting software and intellectual property.
2) Duplicating, transmitting, or using software not in compliance with software license agreements is considered copyright infringement.
3) Users shall not make copies of software or literature without authorization and the full legal right to do so.

4) Unauthorized use of copyrighted materials, or another person's original writings, is considered copyright infringement.
5) Internet users shall not transmit copyrighted materials, belonging to others, over the Internet without permission.
6) If the agency permits, users may download copyrighted material from the Internet, but its use must conform to the restrictions posted by the author or current copyright law.
7) Copyrighted information used on websites must be clearly identified as such.

f. Public Domain Material. Internet users may download public domain materials for business related use. Redistribution of public domain materials is done so with the assumption of all risks regarding the determination of whether or not the materials are in the public domain. Any redistribution of public domain materials is strictly limited to non-commercial use.

~~I.~~J. SOFTWARE ACQUISITIONS AND USE

1. IT must review, approve, and purchase or acquire all software to be used or installed on City owned computers. Employees who wish to download software or browser plug-ins must obtain authorization from their department head prior to contacting IT.
2. No games other than the standard ones supplied with Windows will be approved for purchase or installation.
3. A valid license or shareware documentation must be held for all software. Illegal duplication of software will not be allowed.
4. Only IT personnel or an approved alternate may install software. It is the responsibility of IT for tracking and recording all software licenses for the City. If shareware products are being used, documentation should certify that the registration fee has been paid or that the software is provided free of charge.

~~J.~~K. HARDWARE USAGE

1. The City's computer systems are a valuable resource, and they should not be abused or wasted. Examples would include excessive use of printer supplies and disk space.
2. Food and beverages can damage a computer, and therefore are prohibited in the immediate computer workstation area. Any other activities that may result in damage to the hardware or software must be avoided.
3. Employees are responsible for periodically reviewing files and removing those that are unnecessary or obsolete.
4. All screen savers and background should be professional and not display any offensive messages. For purchasing, please see the City of Sedona's Purchasing Manual.

~~K.~~L. REGULATION AND ENFORCEMENT

Department Heads (or their designee) shall be responsible for agency compliance with the provisions of this policy and for investigating suspected non-compliance. Violation of any element of this policy may result in disciplinary action, which will follow the guidelines of the Employee Manual.

POLICY C

TRAVEL POLICY FOR COUNCILORS

A. INTRODUCTION

The City of Sedona provides its Councilors with adequate accommodations when traveling on City business, while maintaining an obligation for reasonable use of public funds. The procedures contained herein are designed to provide guidelines for appropriate use of such funds. (Refer to the City's Purchasing Policy for further rules)

B. TRAVEL AUTHORIZATION

Each Councilor has the primary responsibility to ensure validity of travel, and that all expenses are properly documented and correctly incurred within the guidelines of the City's Travel Policy. Management is also responsible for providing/communicating City travel guidelines to Councilors.

C. ELIGIBLE EXPENDITURES

1. All expenses for travel, hotels, mileage, telephone, etc., should be submitted promptly, and accompanied, where applicable, by receipts attached to expense forms provided by the City Clerk. These expense forms should be submitted within two weeks of the activity.
2. Generally, eligible expenditures include travel and living costs incurred by the Councilor while away from the City, and expenses incurred within the City necessitated by City business. If a spouse, friend or any one not employed by the City accompanies a Councilor, the other person's expenses are not covered.
3. Approval from the City Clerk must be obtained for training, conferences, and travel expenses prior to the intended travel. A copy of the conference/registration form and supporting documentation, indicating the purpose/business nature of the trip, should be submitted for review by the City Manager and Finance Manager prior to payment.

D. ELIGIBILITY FOR PURCHASING CARD CHARGES

Eligibility for purchasing card charges and expense reimbursement will be based on the following conditions:

1. Registration:
   a. The actual cost of registration of any Councilor at a meeting, conference, or convention which is specifically for City business is an eligible expense.
   b. Receipts must be submitted for reimbursement, or accompany the credit card billing statement if paid with City purchasing card. If a check is needed, the request must be submitted at least three weeks in advance of the deadline for registration to the Finance Department so that it will be processed with the regular accounts payable procedures.
2. Air Travel:
   a. Air coach transportation will be considered standard for out-of-state travel. All airfare arrangements must be made by the traveler or a department representative. Since travel agents charge varying "ticketing fees," it is suggested that travelers look for an agent that offers low fares and reduced

fees.

b. In some cases, the lower airfare may require the traveler to endure a connecting flight or slightly longer layover between flights. Travelers are encouraged to attempt this whenever it makes business sense and helps to contain expenses.
c. Travelers are expected to make travel arrangements in advance (at least twenty-one (21) days prior to travel) to take advantage of less expensive flight options. Waiting until the last minute becomes extremely costly to the City. Travel arrangements made less than twenty-one (21) days in advance should be supported by an explanation as to the business necessity for last minute travel arrangements.
d. Criteria for flight selection must always be based on the lowest-priced airfare rather than the opportunity for personal benefit of the traveler. A Councilor must check a minimum of two airline quotes to ensure the best rate. Councilors should maintain documentation supporting the airline and flight chosen was procured using the best possible rate to the City (using a twenty-one (21) day advance, coach fare, non-refundable ticket).
e. When a traveler makes personal stops enroute to a business destination point, the traveler will only be reimbursed for the round-trip coach fare from Phoenix to the business destination point.

3. Lodging:

a. All hotel arrangements must be made by the Councilors traveling or the appropriate department representative. It is suggested that Councilors try to make arrangements to stay at a hotel that is close to the business meeting or training facility. It is even possible, in a lot of instances, to stay in the hotel where the event is taking place. This will reduce the need for a rental car or other ground transportation expenses.
b. When making the room reservation, travelers should also inquire about a government room discount rate and the event's discount rate and select the lesser of the two.

4. Meals and Incidentals:

Meals for City Council, Boards, Commissions, and staff conducting formal City business during meal times are specifically authorized according to the City's current policy on staff per diem amounts. While traveling, individuals must submit detailed receipts (nota summary that only shows the total) for all reasonable meals and incidentalsincurred. No alcohol, tobacco, reading material, personal items, etc. may be included. Gratuity may not exceed 20% of the total bill.

a. Except for lodging where individuals share the same room or transportation conveyance (cab, rental car, etc.), each individual seeking reimbursement must incur his/her own expense and seek individual reimbursement. The only exceptions are group meals arranged for working sessions or banquets arranged by a department.
b. In the case of group meals, each Councilor does not have to be broken out separately.

5. Ground Transportation:

a. It is the traveler's responsibility to use the most economical means for ground transportation and parking in order to maintain control over the departmental travel budget.
b. In most cases, it is more reasonable to take a taxi, public transportation, or hotel transportation instead of renting a car. Travelers should also check ahead to see if a shuttle service is available for airport pick-up to conference or seminar locations.

6. Personal Auto Usage:

a. Travelers will be reimbursed for use of their personal vehicle for City business only if a City vehicle is not available and the travel is greater than ten (10) miles outside of the City limits. However, if the absence is to be more than three (3) days, a City vehicle may not be used. The mileage reimbursement rate will be updated periodically in accordance with the approved IRS guidelines. To find out what the current reimbursable rate is, contact Financial Services. The origination and destination of the trip, total number of miles, and odometer reading must be indicated on the Standard Expense Voucher.
b. Though a personal vehicle may be used in lieu of air travel, only the lesser of the mileage reimbursement or airfare, rental car, and parking will be paid.

E. CITY POOL VEHICLE

1. Vehicle Usage: Vehicles shall be used for City of Sedona business only. City pool vehicle(s) shall be available to all on a first come first serve basis. “Pool Vehicle” is defined as a vehicle which is not designated to a specific department. Pool vehicle(s) may be used for in town or out of town City business not to extend beyond a three (3) working day period without written approval of the City Manager.
2. Passengers: Passengers shall not be permitted in City vehicles unless such passengers are in the vehicle in regard to official City business or serve as City officials. A spouse or other family member may accompany the City official on City related business, however, only the City official may operate the City vehicle.
3. Licensing: All operators of City vehicles shall possess a valid Arizona driver’s license. Proof of valid registration and automobile insurance is located in each City vehicle.
4. Safety: Vehicles shall be operated in a safe and responsible manner at all times. All drivers and passengers shall wear seat belts at all times.

F. VEHICLE ACCIDENTS

1. Incident Report: In the event of an accident, Councilors are required to complete an Incident Report form located in each City vehicle or obtained from the Legal Department. The Incident Report is used to provide information about the incident and is required by the insurance company. Report this information to the Legal Department at the earliest possible time (928-204-7200).
2. Damage to a Personal Vehicle: Damage to a traveler's personal vehicle that was used while on City business is a non-reimbursable City expense.

G. RENTAL CARS

1. Most transportation needs are met through air travel, taxi, personal vehicles, or motor pool vehicles.

2. Conferences and seminars usually do not require attendees to do extensive driving during the event. However, should the need for a rental car arise, the Councilor should base the quote on an intermediate size car.
3. In addition to the twenty-four (24) base rate, other items to ask about include:

   a. Mileage costs, if any.
   b. Hourly pro-rata cost beyond the twenty-four (24) period.
   c. Availability of grace periods (each agency has their own policy).
   d. Any special or discount rates available.

4. Non-City individuals (guests) are not permitted to use/drive a City rented vehicle.

H. NON-REIMBURSABLE EXPENDITURES

The following expenditures are considered personal, not directly related to business travel, and therefore non-reimbursable. If any of the following expenses are inadvertently paid for by the City, the, Councilor or Commissioner must reimburse the City for the expense.

This is not meant to be an all-inclusive list.

1. Beauty parlor or barber,
2. Personal entertainment, social events, sporting events, golf, movies, etc. including those at a business conference,
3. Liquor,
4. Theft, loss, or damage to personal property,
5. Personal postage, reading materials, or phone calls,
6. Personal toiletry articles,
7. Fines or penalties for parking or traffic violations,
8. Hotel charges for failure to notify and/or cancel reservations,
9. Valet parking and services.

I. PURCHASING CARDS

With pre-approval of the Mayor, a Councilor will be issued a purchasing card. Purchasing cards should be used for payment of travel, lodging, registration, and meal approval in attending training classes or conferences.

J. TRAVEL AND TRAINING PURCHASE ORDER REQUISITION (PRE-TRIP PAPERWORK)

A Travel and Training Purchase Order Requisition is required in all cases where a Councilor will be traveling or attending a workshop, seminar or conference~~. This requisition process is completed in the~~ per Finance Department~~'s Caselle program, Accounts Payable, Data Entry, Requisition Entry~~ policy.

K. STANDARD EXPENSE VOUCHER (POST-TRIP PAPERWORK)

This form is used to report reimbursable expenses such as mileage, meals, lodging, and any other expenses paid out of pocket. Receipts must be attached to the Standard Expense Voucher. Do not include City purchasing card charges. These

charges will be accounted for on your monthly statement. This form is available on the Intranet, Department Documents area, in the Finance folder under Forms, Standard Expense Voucher (SEV).

CITY OF SEDONA

APPENDIX

APPENDIX A

SERVICE CONTRACT POLICY LANGUAGE

The City of Sedona has a long established practice of using public funds to support not-for-profit organizations through contractual agreements. The organizations funded through these service contracts provide services to City residents that the City does not provide. While all of the services within this category are not mandatorily provided by a municipality, it has been determined that the desire/need for those services has broad based citizen support and provides a community benefit. It has also been determined that in the absence of these organizations, the City may provide these services directly.

There may be other not-for-profit organizations that also provide strong community benefits, and may be desirous of entering into a contractual arrangement with the City of Sedona for ongoing operational support. At this time the City has determined that the list of existing services/service contracts are beneficial to the community and sustainable by the City. Given the City's longstanding commitment to the existing service contract organizations, the contract program for these organizations should be maintained. Expansion of the service contract program is not warranted at this time.

If other not-for-profit organizations came forward with a compelling justification for a new community service contract, prior to being presented to the Sedona City Council, a sustainable funding source would need to be identified to sufficiently fund the service into the future.

New service contract requests must also meet the following criteria:

- Be a not-for-profit organization as defined by the IRS
- Be seeking funding for a program/project that is non-religious and non-political
- Provide a benefit for the entire community
- Principally serve community needs within the boundaries of the City
- Demonstrate a broad based citizen support for funding that service with public funds.

Should an organization meet the above criteria, the City Manager and/or two City Councilors may request the item be placed on a City Council agenda for further discussion/consideration.

CITY COUNCIL AGENDA BILL

AB 3198
March 11, 2025
Consent Items

Agenda Item: 3i
Proposed Action & Subject: Approval for adoption of a new Fund Balance & Reserves Policy, superseding the Policy adopted on June 27, 2023.

Department	Financial Services
Time to Present	N/A
Total Time for Item	N/A
Other Council Meetings	June 27, 2023 (AB 2965)
Exhibits	A. Proposed Fund Balance & Reserves Policy B. Redline of Fund Balance Policy to be superseded

Finance Approval	Reviewed 2/23/25 BGW
City Attorney Approval	Reviewed 2/25/25 KWC
City Manager's Recommendation	Recommend approval ABS 02/28/25

Expenditure Required
$ n/a
Amount Budgeted
$ n/a
Account No. (Description)

SUMMARY STATEMENT

Background: The Financial Services Department is reviewing and as necessary updating financial management policies. These policies ensure not only that the City is compliant with federal and state law, but also that taxpayers funds are managed with transparency and accountability. Good stewardship of public funds is the core mission of the Financial Services Department.

A Fund Balance & Reserve Policy sets minimum levels of available funds set aside for emergencies, natural disasters, and other unexpected events that could delay the receipt of regular revenue or require the emergency expenditure of funds.

The proposed Fund Balance & Reserves Policy aligns with Government Finance Officers Association (GFOA) best practices and provides adequate reserves for emergencies.

The City of Sedona currently has a Fund Balance Policy adopted in 2023. The policy proposed for adoption is an update to this policy.

Summary of minimum reserve levels:

General Fund. As the main operating fund of the City, the General Fund must maintain adequate reserves to ensure ongoing operations in the case of an emergency. The GFOA recommends that General Fund operating reserves can support a minimum of two months of

regular operations, with higher levels for cities that rely primarily on more volatile revenue stream (e.g., sales tax) versus those that rely on property tax. Operating reserves are considered when rating agencies evaluate a government for a debt rating, with higher levels of reserves linked to higher ratings. The target minimum for Sedona's General Fund operating reserve is 30% of budgeted expenditures. This amount ensures approximately 3.5 months of regular operations should a natural disaster, sudden economic downturn, or other unforeseen event occur that delays or significantly reduces the amount of sales and bed tax remitted.

Other reserves in the General Fund, including the equipment replacement reserve, are discussed in detail in the policy, Appendix A, page 8.

Streets Fund. The Streets Fund operating reserve target is also set at 30%. The Streets Fund also maintains reserves for street rehabilitation and preservation, as well as an equipment replacement reserve. These are discussed in the policy, Appendix A, page 10.

Wastewater Fund. The Wastewater Fund is an enterprise fund, or business-type fund. Enterprise fund equity is called net assets, rather than fund balance. Within the fund's net assets, the reserves include an operating reserve to ensure ongoing operations. This reserve has a target range of 25-33.3% of budgeted operation expenses.

The Wastewater Fund net assets also include a legal debt service reserve, which is set by bond covenant, as well as a policy debt service reserve to ensure that the fund can meet any debt obligations that do not have specific reserve requirements. Other reserves within the Wastewater Fund include an equipment replacement reserve, a major maintenance reserve and a capital improvement reserve. Details of each of these may be found in the policy, Appendix A, pages 11-12.

Other Funds. Other funds, including the Public Transit Fund and Capital Improvements Fund, have reserves that are established based on the projected life of capital assets, long-range capital planning and forecast costs. These funds, and other City funds including the Grants and Donations Fund, Development Impact Fee Fund, Art in Public Places Fund, Information Technology Fund and the Municipal Court Fund are discussed in the policy, Appendix A, pages 13-15.

Adopting minimum reserves and ranges ensures that the City not only can operate during a natural disaster, economic downturn or other unexpected event, but also that unanticipated emergency funds are available if they are needed. GFOA Best Practices related to fund balances and reserves are linked in the appendix to the Fund Balance and Reserve Policy, Appendix A, page 17.

Climate Action Plan/Sustainability Consistent: ☐**Yes -** ☐**No -** ☒**Not Applicable**

Board/Commission Recommendation: ☐**Applicable -** ☒**Not Applicable**

Alternative(s): Retain existing Fund Balance Policy.

MOTION

I move to: adopt a new Fund Balance & Reserves Policy, superseding the policy adopted on June 27, 2023.

City of Sedona
Fund Balance & Reserve Policy

Purpose and Objective

The City of Sedona is committed to sound fiscal management practices, financial stability and sustainability over the long-term. To ensure this stability, this policy establishes fund balance, net assets, and reserve minimums for certain operating and capital funds.

Scope and Applicability

This Fund Balance & Reserve Policy shall provide direction, based on local government best practices as established by the Government Finance Officers Association (GFOA) of the on minimum fund balance, net asset and reserve levels to ensure (1) adequate available funds to continue operations in the event of a natural disaster, economic downturn or other external event that may impact the ability of the City to collect revenue, (2) required reserves to cover debt service, and (3) appropriate reserves to maintain the City's investment-grade bond rating.

This Policy shall be reviewed and updated as necessary by the Financial Services Department.

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Definitions

1. **Funds.** Governmental accounting uses "fund accounting," in which funds are the units of the government that track specific types of spending. In governmental accounting, funds are similar to subsidiary businesses that are part of a conglomerate in the private sector. Each fund, like a subsidiary business, has a separate set of balanced books, and each fund is a part of the whole for reporting purposes. Generally Accepted Accounting Principles (GAAP) divides funds into three categories: governmental, enterprise or proprietary, and fiduciary. The GAAP basis classification assigned to a fund impacts how the fund is displayed in the Annual Comprehensive Financial Report (ACFR). The funds within the City of Sedona that are covered by this policy are described below.

    a. **Governmental Funds.** Governmental funds are those through which most governmental functions are accounted for.

        i. **General Fund.** The General Fund is the primary operating fund of the City. It accounts for activity that is not required to be accounted for in other funds. City services such as public safety, operations and maintenance, community services, and general government activities are accounted for in the General Fund.

        ii. **Streets Fund.** The Streets Fund accounts for the ongoing maintenance of streets infrastructure in the City, and the purchase of related equipment.

        iii. **Special Revenue Funds.** Special revenue funds are a sub-type of governmental funds that account for revenue streams that are restricted to a specific purpose.

            1. **Development Impact Fee (DIF) Fund.** The DIF fund accounts for development fee activities and the use of monies in this fund is restricted to the purpose for which the monies were received.

            2. **Art in Public Places Fund.** The Art in Public Places Fund accounts for activities related to the 1% contribution to public art.

        iv. **Capital Project Fund.** The Capital Project Fund accounts for general government capital expenditures. This fund does not include capital expenditures related to Art in Public Places, DIF, IT or Wastewater.

b. **Enterprise Funds.** Enterprise or proprietary funds are used to account for a government's ongoing activities that are similar to those often found in the private sector. These funds are also referred to as "business-type" funds. Enterprise funds have their own revenue streams (e.g., rate revenue or dedicated taxes) and should be self-supporting.

   i. **Wastewater Enterprise Fund.** The Wastewater Fund accounts for revenue and expenses related to wastewater. This includes both operating and capital expenses.

   ii. **Public Transit Enterprise Fund.** The Transit Fund accounts for activities related to the transit system.

   iii. **Information Technology Internal Service Fund.** Internal service funds provide services that are charged to other funds based on pre-determined metrics. The IT Fund accounts for the IT costs for the City, including operating and expenses. These costs are allocated to other funds including the General Fund, Streets Fund and Wastewater Fund.

2. **Fund Balance.** Fund balance is the difference between a fund's assets and liabilities, as reported in a governmental fund. The Governmental Accounting Standards Board (GASB) Statement No. 54 establishes the following fund balance classifications based on the constraints that control how monies in each classification may be spent.

   a. **Non-Spendable Fund Balance.** This classification includes amounts that are not liquid, or easily converted to cash, e.g., inventories, and amounts that are required to be held intact, e.g., endowments.

   b. **Restricted Fund Balance.** Restricted funds may be spent only for specific purposes stipulated by external resource providers (e.g., grant providers), constitutionally, or through enabling legislation (that is, legislation that creates a new revenue source and restricts its use). Effectively, restrictions may be changed or lifted only with the consent of resource providers.

   c. **Committed Fund Balance.** Fund Balance amounts that are committed are bound by formal action of the City's highest decision-making authority, in the City of Sedona, the City Council. Commitments may be changed or removed only by another formal action of the City Council.

   d. **Assigned Fund Balance.** Amounts within fund balance that are assigned have an *intended* purpose. This purpose may be established by informal action of

the City Council, or through an official or body designated by the City Council. In governmental funds other than the General Fund, assigned fund balance represents amounts not restricted or committed. Resources in governmental funds other than the General Fund are, at a minimum, intended to be used for the purpose of the fund.

e. **Unassigned Fund Balance.** The unassigned fund balance classification represents the residual fund balance that is not included in other classifications. Unassigned amounts are available for any valid government purpose. If another governmental fund has a deficit fund balance, it is reported as negative unassigned fund balance. Only the General Fund may report a positive unassigned fund balance.

3. **Net Assets.** Net assets are the difference between a fund's assets and liabilities, as reported in an enterprise or fiduciary fund. Because enterprise and fiduciary funds have a specific purpose, they do not report any "unassigned" net assets.

4. **Available Fund Balance (governmental funds).** Remaining fund balance after all balances designated as non-spendable, restricted, committed, and/or assigned within the fund.

5. **Available Net Assets (enterprise funds).** Net assets include amounts that represent property, plant, and equipment. Because these amounts are not liquid, or easily converted to cash, staff will exclude these non-spendable net assets from consideration in a calculation of available net assets or in establishing a net asset target.

6. **Fund Balance/Net Asset Targets.** Target amounts for fund balance or net assets. Usually expressed as a percentage of the adopted budget.

7. **Fund Balance/Net Asset Target Calculation.** Certain reserves of fund balance or net assets, as well as the unassigned fund balance in the General Fund, are reported as a percentage of the budget. For purposes of this calculation, which is completed at the end of each fiscal year, the adopted budget for the upcoming fiscal year shall be used. For example, to report on fund balance percentages as of 6/30/2025 (FY25), the calculation shall use the FY26 operating budget. This ensures that increases in the operating budget are accounted for in the City's reserves that are based on operating costs.

8. **Surplus**. A surplus is the amount by which the specific designation of fund balance or net assets exceeds an established target.

9. **Shortfall.** A shortfall is the amount by which the specific designation of fund balance or net assets/working capital falls below the established target.

Fund Balance and Net Asset Targets

Fund balance targets shall be established for governmental funds with an adopted expenditure budget. Net asset targets shall be established for enterprise funds with an adopted expenditure budget. Targets shall consider the volatility of revenues that support operations or capital expenditures, the predictability of the expenditures, and cash flows to ensure liquidity. See **Definitions / Fund Balance/Net Asset Target Calculation.**

General Fund

General Fund. As the main operating fund for the City, the financial health and sustainability of the General Fund is critical. The fund balance of the General Fund shall include (but is not limited to) the following reserve designations outlined below.

1. **Operating Reserve.** The General Fund Operating Reserve establishes a minimum reserve to ensure ongoing operations. This reserve shall:

   - Temporarily insulate General Fund program and services against an economic recession to allow staff and City Council to make budgetary decisions that may be necessary,
   - Enable the City to continue operations during an emergency or natural disaster, and
   - Ensure that the City can withstand a revenue reduction due to a change in state or federal legislation, adverse litigation or other unforeseen action.

   The Government Finance Officers Association (GFOA) best practice, *Fund Balance Guidelines for the General Fund* recommends a minimum unassigned fund balance or emergency reserve of no less than two months of operations; however, setting a reserve for operations should include a deeper analysis of the circumstances of the government:

   > The adequacy of unrestricted fund balance in the general fund should take into account each government's own unique circumstances. For example, governments that may be vulnerable to natural disasters, more dependent on a volatile revenue source, or potentially subject to cuts in state aid and/or federal grants may need to maintain a higher level in the unrestricted fund balance. Articulating these risks in a fund balance policy makes it

easier to explain to stakeholders the rationale for a seemingly higher than normal level of fund balance that protects taxpayers and employees from unexpected changes in financial condition.

a. **Sedona Risk Factors**. While the City of Sedona faces the possibility of wildfires and flooding, Sedona's risk of natural disaster or emergency is not significantly higher than other cities. Additionally, the City does not rely heavily on federal or state grants for day-to-day operations. However, Sedona does not levy a property tax for operations. Property tax revenues are the least volatile revenue stream, as collections are certain. Sedona relies primarily on sales and bed tax for its operating revenue for governmental activities. Sales and bed tax are volatile and sensitive to economic and environmental changes. To mitigate the risk of a reduction in anticipated revenue, the City must establish a General Fund Operating Reserve that will ensure ongoing operations in the event of lower than expected or interrupted revenue streams.

b. **Target.** To ensure that the General Fund can continue to operate, and given the risk associated with Sedona's volatile revenue streams, the General Fund Operating Reserve target shall be set at 30% of budgeted expenditures (equivalent to 3.5 months of normal operations).

c. **Use of the General Fund Operating Reserve.** The City Council may use this reserve during a recession to either maintain General Fund programs and/or services in the short-term, or as bridge funding while staff and City Council evaluate current programs and services for potential cuts to expenditures as a response to declining revenues. The timing for the use of reserves may vary but should:

    i. Be considered in the event of an anticipated ongoing reduction in overall General Fund revenue of more than 3% and expenditure savings are not expected to cover the reduction in revenue,

    ii. Be used within a defined time horizon (usually 12-18 months), and

    iii. Not be used as a long-term solution for revenue deficits.

d. **Replenishment of Operating Reserves.** The GFOA recommends that local governments should seek to replenish operating reserves within one to three years of use, and identifies the following factors influencing the replenishment time horizon:

i. The budgetary reason behind the reserve target (for Sedona, the volatile nature of sales and bed tax revenue),

ii. Recovering from an extreme event (e.g., a natural disaster),

iii. Political continuity (ensuring that the City can continue to operate and sustain critical services),

iv. Financial planning time horizons,

v. Long-term forecasts and economic conditions, and

vi. External financing obligations.

The City of Sedona shall consider applicable factors influencing the replenishment time horizon if a use of operating reserves is deemed necessary. Staff will develop a plan for replenishment for City Council's review and approval. The plan for replenishment shall include the time horizon and factors influencing it, as well as a long-term (10-year) financial forecast. Should the time horizon be lengthened due to additional unanticipated changes in legislation and/or an extended recession, an amended plan shall be brought to City Council for approval.

2. Other General Fund Designations of Fund Balance and Reserves

a. **Budget Carryover Reserve.** This reserve is based on budgeted amounts that should be carried over from one fiscal year to the next. Amounts carried over must be legally encumbered and will vary based on the outstanding obligations at the end of the fiscal year. The amounts in the Budget Carryover Reserve shall not be considered surplus or included in any other reserves or designations. Encumbrances carried forward must be paid within 60 days of the end of the fiscal year. (42 A.R.S. §17108)

b. **Equipment Replacement Reserve.** The Equipment Replacement Reserve is intended to smooth the cost of vehicles and equipment over time by reserving an amount approximately equal to the anticipated future cost of replacement divided by the useful life of the asset.

Example:
A truck is purchased for Public Works for $56,000. Its useful life is expected to be seven (7) years.
$56,000 ÷ 7 = $8,000

$8,000 should be added to the reserve annually to replace the truck when it reaches end-of-life.

The Financial Services Department shall review the vehicle and equipment replacement plan annually to ensure that adequate reserves are in place to purchase replacements. An annual allocation from this reserve shall be included in the Annual Operating Budget, to purchase replacements planned during the fiscal year. New vehicles and equipment purchased supplementing the existing fleet will require additional monies to be contributed to the reserve.

c. **Capital Reserve.** The City Council may, at its discretion, establish a reserve for capital project expenditures. The City of Sedona funds most capital projects with pay-as-you-go funding from General Fund surplus. If established, a Capital Reserve may designate monies not included in another reserve, for specific, planned projects, or as a general reserve for future projects.

d. **Additional Reserves.** The City may establish additional committed, assigned, or unassigned fund balances reserves in any amount as deemed necessary.

e. **Use of Other Reserves.** Unlike the General Fund Operating Reserve, the use of other reserves is driven by the purpose of the reserve. Use of the Equipment Replacement Reserve shall be part of the annual budget according to the equipment replacement plans for the fiscal year. Use of other reserves may be recommended by staff during the annual budget process and are at the discretion of the City Council.

Streets Fund

Streets Fund. The Streets Fund is a governmental fund that is used to account for operations and maintenance costs associated with streets, sidewalks, shared-use-paths and other appurtenances of roadways.

1. **Operating Reserve.** The Streets Fund Operating Reserve establishes a minimum reserve to ensure the current service levels are maintained in the event of large and unanticipated one-time expenditure requirements, a revenue reduction due to a change in state or federal legislation, adverse litigation or any similar unforeseen action, and/or slower revenue growth that typically occurs during an economic recession.

a. **Target.** To ensure that the Streets Fund can continue to operate, and given the higher risk associated with Sedona's revenue streams, the Streets Fund Operating Reserve shall be 30% budgeted expenditures (equivalent to 3.5 months of normal operations).

b. **Use of the Streets Fund Operating Reserves.** The City Council may use this reserve during a recession to either maintain streets maintenance programs and related services, or as bridge funding while staff and City Council evaluate the level of service for potential cuts as a response to declining revenues.

c. **Restrictions.** The portion of Streets Fund monies from the City's share of the Arizona Highway User Revenue Fund (HURF) are restricted and may not be transferred to another fund or used for any other purpose.

d. **Replenishment of Streets Fund Operating Reserve.** Replenishment of the Streets Fund Operating Reserve shall follow the GFOA recommendations outlined under the replenishment of General Fund Operating Reserves; however, if recovery from the event or recession is anticipated to lengthen the time horizon, replenishment of General Fund Operating Reserves shall be prioritized, except for funds restricted to streets (e.g., HURF). If the Streets Fund Operating Reserve is used, the replenishment shall be included in the plan approved by Council. (see General Fund / General Fund Operating Reserve / Replenishment of General Fund Operating Reserve)

2. **Streets Rehabilitation / Pavement Preservation Reserve.** The Streets Rehabilitation/Pavement Preservation Reserve temporarily insulates the City's rehabilitation and preservation program against an economic recession or legislative changes that may cause a reduction in revenue.

   a. **Target.** The target for the Streets Rehabilitation/ Pavement Preservation Reserve shall be 16%, equivalent to two months of budgeted expenditures.

   b. **Use and Replenishment of the Streets Rehabilitation/Pavement Preservation Reserve.** The use and replenishment of the Rehabilitation/Preservation Reserve shall follow the Streets Operating Reserve detailed above.

3. **Equipment Replacement Reserve.** The Equipment Replacement Reserve in the Streets Fund will be established based on an annual allocation of equipment costs

over the useful life of the asset. This reserve will be used to fund the replacement of such equipment. The Equipment Replacement Reserve is intended to smooth the cost of vehicles and equipment over time by reserving an amount approximately equal to the anticipated future cost of replacement divided by the useful life of the asset. (See General Fund / Equipment Replacement Reserve)

   a. **Use of the Equipment Replacement Reserve.** Use of the Equipment Replacement Reserve shall be part of the annual budget allocation according to the equipment replacement plans for the fiscal year.

4. **Budget Carryover Reserve.** This reserve is based on budgeted amounts that should be carried over from one fiscal year to the next. Amounts carried over must be legally encumbered and will vary based on the outstanding obligations at the end of the fiscal year. The amounts in the Budget Carryover Reserve shall not be considered surplus or included in any other reserves or designations. Encumbrances carried forward must be paid within 60 days of the end of the fiscal year. (42 A.R.S. §17108)

Wastewater Enterprise Fund

Wastewater Enterprise Fund. The Wastewater Enterprise Fund is a business-type fund that is used to account for all the activity related to the operation, maintenance and capital investments of the Wastewater system. The fund balance of the Wastewater Enterprise Fund is separated into several categories depending on the purpose.

1. **Operating Reserve.** The Operating Reserve shall be maintained to ensure adequate working capital is available to guard against service disruption in the event of temporary revenue shortfalls or unpredicted one-time expenses.

   a. **Considerations and Risk.** The Wastewater Fund is not impacted by a potential economic downturn in the same way that the General Fund and other sales and bed tax-reliant funds. Nevertheless, it is important to establish adequate reserves to ensure that operations are able to continue in the event of an emergency during which regular revenues may not be immediately available.
   b. **Target.** The Operating Reserve for the Wastewater Enterprise Fund shall be maintained in a target range of 25% (90 days) to 33% (120 days) of budgeted operating expenses of the Fund.

2. **Legal Debt Service Reserve.** Debt service reserves that are required according to any bond covenants shall be established and maintained to meet those legal requirements.

3. **Policy Debt Service Reserve.** In addition to any legally required debt service reserves, additional debt service reserves may be established in the case of debt issuances that do not have specific reserve requirements and are not covered by bond insurance.

4. **Equipment Replacement Reserve.** The Equipment Replacement Reserve in the Wastewater Fund shall be established based on an annual allocation of equipment costs over the useful life of the asset. This reserve will be used to fund the replacement of such equipment. The Equipment Replacement Reserve is intended to smooth the cost of vehicles and equipment over time by reserving an amount approximately equal to the anticipated future cost of replacement divided by the useful life of the asset. (See General Fund / Equipment Replacement Reserve)

5. **Major Maintenance Reserve.** The Major Maintenance Reserve shall be established based on management estimates of (1) the anticipated annual cost of major maintenance projects, and (2) the anticipated useful life of the maintenance performed (the time between completing the same maintenance project). Like the Equipment Replacement Reserve, the Major Maintenance Reserve is intended to smooth the cost of major maintenance over time by reserving an amount approximately equal to the anticipated future cost of the maintenance divided by the useful life.

   Example:

   Injection wells require backflushing. The cost is $30,000 and this maintenance must be completed every three (3) years.

   $30,000 ÷ 3 = $10,000

   $10,000 should be added to the reserve annually to fund the next anticipated backflush at the end of three years.

6. **Capital Improvements Reserve.** The Capital Improvements Reserve shall be established to ensure that planned pay-as-you-go projects have adequate funding.

   a. **Target.** The target will vary depending on the capital plans for the Wastewater System and Treatment Plant. The reserve amount shall be evaluated by Finance staff and Wastewater administration to ensure adequate reserves for planned projects.

7. **Budget Carryover Reserve.** This reserve is based on budgeted amounts that should be carried over from one fiscal year to the next. Amounts carried over must be legally encumbered and will vary based on the outstanding obligations at the end of the

fiscal year. The amounts in the Budget Carryover Reserve shall not be considered surplus or included in any other reserves or designations. Encumbrances carried forward must be paid within 60 days of the end of the fiscal year. (42 A.R.S. §17108)

Public Transit Enterprise Fund

The Public Transit Fund is an enterprise fund that accounts for all of the activities related to the operations, maintenance and capital costs of Sedona's transit system. The Public Transit Fund maintains the following reserves.

1. **Equipment Replacement Reserve.** The Equipment Replacement Reserve in the Streets Fund will be established based on an annual allocation of equipment costs over the useful life of the asset. This reserve will be used to fund the replacement of such equipment. The Equipment Replacement Reserve is intended to smooth the cost of vehicles and equipment over time by reserving an amount approximately equal to the anticipated future cost of replacement divided by the useful life of the asset. (See General Fund / Equipment Replacement Reserve)

    a. **Use of the Equipment Replacement Reserve.** Use of the Equipment Replacement Reserve shall be part of the annual budget allocation according to the equipment replacement plans for the fiscal year.

2. **Additional Reserves.** The City may establish additional reserves for operations and/or to mitigate the risk related to grants, which are not a guaranteed revenue stream.

3. **Budget Carryover Reserve.** This reserve is based on budgeted amounts that should be carried over from one fiscal year to the next. Amounts carried over must be legally encumbered and will vary based on the outstanding obligations at the end of the fiscal year. The amounts in the Budget Carryover Reserve shall not be considered surplus or included in any other reserves or designations. Encumbrances carried forward must be paid within 60 days of the end of the fiscal year. (42 A.R.S. §17108)

Other Funds

Municipal Court Fund. The Municipal Court Fund accounts for activities related to the Municipal Court. Reserves in this fund include restricted reserves with specific purposes according to the State of Arizona. These reserves carry over annually and the amounts may be budgeted for expenditures that align with the purpose of the funds.

Grants & Donations Fund. The fund balance of the Grants & Donations Fund is restricted to the purposes for which the monies were received. Balances will automatically carryover to the following year.

Capital Improvements Fund. The Capital Improvements Fund accounts for resources used in the construction or acquisition of capital assets and major improvements. The execution of capital projects usually extends beyond a single fiscal year. Because projects accounted for in the Capital Improvements Fund are included in the annual budget and funded through transfers from other funds, the capital plan and the cash flow requirements of the upcoming fiscal year should be evaluated annually to ensure adequate funding is available from upcoming revenue or General Fund unassigned fund balance.

Development Impact Fee Fund. The fund balance of the Grants & Donations Fund is restricted to the purposes for which the monies were received. Balances will automatically carryover to the following year.

Art in Public Places Fund. The fund balance of the Grants & Donations Fund is restricted to the purposes for which the monies were received. Balances will automatically carryover to the following year.

Information Technology Fund. The IT Fund accounts for all activity related to IT, including, but not limited to, equipment, network costs, and software. This fund is an internal service fund which has no revenue beyond internal charges for services to other funds. The IT Fund maintains the following reserves.

1. **Equipment Replacement Reserve.** The Equipment Replacement Reserve in the Streets Fund will be established based on an annual allocation of equipment costs over the useful life of the asset. This reserve will be used to fund the replacement of such equipment. The Equipment Replacement Reserve is intended to smooth the cost of vehicles and equipment over time by reserving an amount approximately equal to the anticipated future cost of replacement divided by the useful life of the asset. (See General Fund / Equipment Replacement Reserve)

    a. **Use of the Equipment Replacement Reserve.** Use of the Equipment Replacement Reserve shall be part of the annual budget allocation according to the equipment replacement plans for the fiscal year.

2. **Budget Carryover Reserve.** This reserve is based on budgeted amounts that should be carried over from one fiscal year to the next. Amounts carried over must be legally encumbered and will vary based on the outstanding obligations at the end of the fiscal year. The amounts in the Budget Carryover Reserve shall not be considered

surplus or included in any other reserves or designations. Encumbrances carried forward must be paid within 60 days of the end of the fiscal year. (42 A.R.S. §17108)

Assignment of Fund Balance

The City Manager is authorized to assign fund balances for specific purposes in accordance with the intent of the City Council.

Surpluses and Shortfalls

General Fund

If it is determined that there is a surplus, an amount of fund balance in the General Fund that is more than the established fund balance target, the funds may be appropriated or designated during the annual budget process for items that are one-time costs, including the following:

1. **Eliminate shortfalls in other funds.** Any General Fund surplus may be transferred to cover shortfalls within other governmental funds. If a governmental fund is running a consistent deficit, the General Fund shall cover the fund balance shortfall, and an analysis of the expenditures and revenues/transfers shall be completed by the Financial Services Department.
2. **Reduce or avoid of debt.** Any General Fund surplus may be applied to reduce or eliminate short or long-term debt within a governmental fund if there is a demonstrated economic gain to the City. Surplus may also be used to reduce the total amount of a proposed debt issuance through the direct payment for a portion of the total cost being financed.
3. **One-time capital expenditures.** If a one-time capital expenditure is identified that is not already funded within the annual budget, a surplus may be appropriated to fund the capital expenditure.
4. **Tax, fee, and/or rate stabilization.** Surplus funds may be used as a temporary measure for stabilization to avoid raising taxes, fees, or rates in governmental funds. If such a use is being considered, an analysis of the long-term impact of the use shall be conducted to ensure that future operations and capital needs continue to be met.

Wastewater Fund

If it is determined that there is a surplus, an amount of net assets in the Wastewater Fund that is more than the established net assets range, the funds may be appropriated or

designated during the annual budget process for items that are one-time costs, including the following:

1. **Reduce or avoid of debt.** Any Wastewater Fund surplus may be applied to reduce or eliminate short or long-term debt within the Wastewater Fund if there is a demonstrated economic gain to the City. Surplus may also be used to reduce the total amount of a proposed debt issuance through the direct payment for a portion of the total cost being financed.
2. **One-time capital expenditures.** If a one-time capital expenditure is identified that is not already funded within the annual budget, a surplus may be appropriated to fund the capital expenditure.
3. **Rate stabilization.** A surplus in the Wastewater Fund may be used as a temporary measure for stabilization to avoid increasing fees or increase them at a lower-than-required rate to meet operating and capital needs. If such a use is being considered, an analysis of the long-term impact of the use shall be conducted to ensure that future operations and capital needs continue to be met.

If a fund is in a shortfall position, in which the fund balance or net assets that support working capital do not meet the target percentage or range for the fund, a plan shall be put in place to replenish the fund balance as quickly as practical.

Effective Date

This policy shall be effective immediately upon approval by the City Council of the City of Sedona and shall remain in effect until amended or rescinded by the City Council.

Appendix A: Links to Best Practices

Links to Government Finance Officers Association (GFOA) Best Practices:

- Adopting Financial Policies
- Policies and Procedures Documentation
- Fund Balance Guidelines for the General Fund
- Strategies for Establishing Capital Asset Renewal and Replacement Reserve Policies

City of Sedona
Fund Balance Policy

~~1.~~ Purpose and Objective~~:~~

The City of Sedona is committed to sound fiscal management practices, financial stability and sustainability over the long-term. To ensure this stability, this policy establishes fund balance, net asset, and reserve minimums for certain operating and capital funds.~~To ensure financial stability, the City of Sedona desires to manage its financial resources by establishing fund balance/net asset targets or ranges for selected funds. This will ensure the City maintains a prudent level of financial resources to provide sufficient cash flow for daily financial needs, secure and maintain investment grade bond ratings, offset significant economic downturns and revenue shortfalls, and provide funds for unforeseen expenditures related to emergencies.~~

Scope and Applicability

This Fund Balance & Reserve Policy shall provide direction, based on local government best practices as established by the Government Finance Officers Association (GFOA) of the on minimum fund balance, net asset and reserve levels to ensure (1) adequate available funds to continue operations in the event of a natural disaster, economic downturn or other external event that may impact the ability of the City to collect revenue, (2) required reserves to cover debt service, and (3) appropriate reserves to maintain the City's investment-grade bond rating.

This Policy shall be reviewed and updated as necessary by the Financial Services Department.

~~2.~~1. Definitions:

1. **Funds.** Governmental accounting uses "fund accounting," in which funds are the units of the government that track specific types of spending. In governmental accounting, funds are similar to subsidiary businesses that are part of a conglomerate in the private sector. Each fund, like a subsidiary business, has a separate set of balanced books, and each fund is a part of the whole for reporting purposes. Generally Accepted Accounting Principles (GAAP) divides funds into three categories: governmental, enterprise or proprietary, and fiduciary. The GAAP basis classification assigned to a fund impacts how the fund is displayed in the Annual Comprehensive Financial Report (ACFR). The funds within the City of Sedona that are covered by this policy are described below.
   a. **Governmental Funds.** Governmental funds are those through which most governmental functions are accounted for.

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i. **General Fund.** The General Fund is the primary operating fund of the City. It accounts for activity that is not required to be accounted for in other funds. City services such as public safety, operations and maintenance, community services, and general government activities are accounted for in the General Fund.

ii. **Streets Fund.** The Streets Fund accounts for the ongoing maintenance of streets infrastructure in the City, and the purchase of related equipment.

iii. **Special Revenue Funds.** Special revenue funds are a sub-type of governmental funds that account for revenue streams that are restricted to a specific purpose.

1. **Development Impact Fee (DIF) Fund.** The DIF fund accounts for development fee activities and the use of monies in this fund is restricted to the purpose for which the monies were received.
2. **Art in Public Places Fund.** The Art in Public Places Fund accounts for activities related to the 1% contribution to public art.

iv. **Capital Project Fund.** The Capital Project Fund accounts for general government capital expenditures. This fund does not include capital expenditures related to Art in Public Places, DIF, IT or Wastewater.

b. Enterprise Funds. Enterprise funds are used to account for a government's ongoing activities that are similar to those often found in the private sector. These funds are also referred to as "business-type" funds. Enterprise funds have their own revenue streams (e.g., rate revenue or dedicated taxes) and should be self-supporting.

i. **Wastewater Enterprise Fund.** The Wastewater Fund accounts for revenue and expenses related to wastewater. This includes both operating and capital expenses.

ii. **Public Transit Enterprise Fund.** The Transit Fund accounts for activities related to the transit system.

iii. **Information Technology Internal Service Fund.** Internal service funds provide services that are charged to other funds based on pre-determined metrics. The IT Fund accounts for the IT costs for the City, including operating and expenses. These costs are allocated to other funds including the General Fund, Streets Fund and Wastewater Fund.

~~A.~~ ~~2.~~ **Fund Balance.:** Fund balance ~~means~~ is the difference between a fund's assets and fund liabilities, as reported in a governmental fund. ~~Furthermore,~~The Government Accounting Standards Board (GASB) Statement No. 54 establishes the following fund balance classifications ~~depicting the relative strength of~~ based on the constraints that control how monies in each classification may be spent. ~~specific amounts can be spent:~~

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~~1.~~ **a. Non-~~s~~Spendable ~~f~~Fund ~~b~~Balance.** This classification includes amounts that are not liquid, or easily converted to cash, e.g., inventories, ~~in a spendable form (inventory, for example)~~ or are required to be ~~maintained~~ held intact, e.g., endowments. ~~(the principal of an endowment fund, for example).~~

~~2.~~ **b. Restricted ~~fund~~ Fund ~~B~~balance.** Restricted funds may ~~includes amounts that can~~ be spent only for ~~the~~ specific purposes stipulated by external resource providers (~~for example~~e.g., grant providers), constitutionally, or through enabling legislation (that is, legislation that creates a new revenue source and restricts its use). Effectively, restrictions may be changed or lifted only with the consent of resource providers.

~~3.~~ **c. Committed ~~F~~fund ~~B~~balance.** Fund balance amounts that are committed are bound by formal action of the City's highest decision-making authority, in the City of Sedona, the City Council. ~~includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority.~~ Commitments may be changed or ~~lifted~~ removed only by ~~the government taking the same formal action that imposed the constraint originally.~~another formal action of the City Council.

~~4.~~ **d. Assigned ~~F~~fund ~~b~~Balance.** Amounts within fund balance that are assigned have an *intended* purpose. This purpose may be established by informal action of the City Council, or through an official or body designated by the City Council. ~~comprises amounts *intended* to be used by the government for specific purposes. Intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority.~~ In governmental funds other than the General Fund, assigned fund balance represents the amount that is not restricted or committed. This indicates that resources in other governmental funds are, at a minimum, intended to be used for the purpose of that fund.

~~5.~~ **e. Unassigned ~~F~~fund ~~B~~balance.** The unassigned fund balance classification represents ~~is~~ the residual classification for the General Fund and includes all amounts not contained in the other classifications. Unassigned amounts are technically available for any valid government purpose. If another governmental fund has a fund balance deficit, then it will be reported as ~~a~~ negative ~~amount in the~~ unassigned fund balance. Only the General Fund may report a positive unassigned fund balance.~~classification in that fund. Positive unassigned amounts will be reported only in the General Fund.~~

~~Net Assets: Net assets are the difference between assets and liabilities as reported in a financial reporting unit such as proprietary funds and fiduciary funds.~~

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3. **Net Assets.** Net assets are the difference between assets and liabilities as reported in a enterprise or fiduciary fund. Because enterprise and fiduciary funds have a specific purpose, they do not report any "unassigned" net assets.

4. **Working Capital.** Working Capital is a measure of the liquidity of enterprise funds, and is determined by calculating the difference between current asset and current liabilities.

~~financial reporting unit such as proprietary funds and fiduciary funds.~~

5. **Available Fund Balance.** Remaining fund balance after all balances designated as non-spendable, restricted, committed, and/or assigned (other than assigned balances in governmental funds representing residual balances) within the fund.

6. **Available Net Assets.** Net assets include amounts that represent property, plant, and equipment. Because these amounts are not liquid, or easily converted to cash, staff will exclude these non-spendable net assets from consideration in a calculation of available net assets or in establishing a net asset target.

7. **Fund Balance/Net Asset Targets.** Targets for fund balance or net assets. Usually expressed as a percentage of the adopted budget.

8. **Fund Balance/Net Asset Target Calculation.** Certain reserves of fund balance or net assets, as well as the unassigned fund balance in the General Fund, are reported as a percentage of the budget. For purposes of this calculation, which is completed at the end of each fiscal year, the adopted budget for the upcoming fiscal year shall be used. For example, to report on fund balance percentages as of 6/30/2025 (FY25), the calculation shall use the FY26 operating budget. This ensures that increases in the operating budget are reflected in the City's reserves.

9. **Surplus.** A surplus is the amount by which the specific designation of fund balance or net assets exceeds an established target.

10. **Shortfall.** A shortfall is the amount by which the specific designation of fund balance or net assets falls below the established target.

~~B. Net Assets: Net assets are the difference between assets and liabilities as reported in a financial reporting unit such as proprietary funds and fiduciary funds.~~

~~C. Fund Balance Range: Fund balance range is the range of amounts this policy has set within which the City means to maintain the available fund balance.~~

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D. Surplus: Surplus is the amount by which the available fund balance exceeds the fund balance target or the upper limit of the fund balance range.

E. Shortfall: Shortfall is the amount by which the fund balance target or the lower limit of the fund balance range exceeds the available fund balance.

F. Available Fund Balance: Remaining fund balance after all balances designated as non-spendable, restricted, committed, and/or assigned (other than assigned balances in governmental funds representing residual balances) within the fund.

G. Expenditures: Expenditures are all uses of financial resources and include operating and capital expenses, debt service, and transfers to other funds.

H. Operating Expenditures: Operating expenditures are uses of financial resources for personnel, supplies, services and materials, and indirect cost allocations, and exclude capital expenses, debt service, and transfers to other funds.

3.2. Fund Balance and Net Asset Targets or Range:

Fund balance targets shall be established for governmental funds with an adopted expenditure budget. Net asset targets shall be established for enterprise funds with an adopted expenditure budget.

Fund balance targets or ranges are established for each governmental fund type that contains operating expenses, as well as the enterprise funds. Targets shall consider the volatility of revenues that support operations or capital expenditures, the predictability of the expenditures, and cash flows to ensure liquidity. See **Definitions / Fund Balance/Net Asset Target Calculation.**

The amounts set for each fund are based on the predictability of revenues, volatility of expenditures, and liquidity requirements of each fund and may need to be reviewed periodically.

The calculation of the various fund balances to proposed expenditures would be established as part of the budget preparation process taking the previous year's estimated actual expenditures and the established fund ratio to determine the ensuing budget year's fund balance requirements.

4. Designations for Proprietary Funds:

Unrestricted net assets in proprietary funds do not necessarily represent resources available for appropriation. This is due to the fact that capital assets are included in proprietary funds and are offset in unrestricted net assets. Since it is not likely the

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~~organization will sell the capital asset in order to fund operations, its value is not available for appropriation. In order to take this into account when calculating the ratio related to the fund balance range, staff will adjust the net assets to follow the same basis of accounting used for the General Fund.~~

~~5.~~3. Funds:

~~A.~~ **General Fund.:** As the main operating fund for the City, the financial health and sustainability of ~~The~~ the General Fund is critical. The fund balance of the General Fund shall include (but is not limited to) the following reserve designations outlined below. ~~considered to have a high level of risk to operations due to its dependence on revenue streams that are susceptible to economic downturns and revenue reduction impacts from outside agency actions. In addition, the General Fund is the main funding source when responding to unexpected events or emergencies. The fund balance for the General Fund consists of several balances for multiple purposes. These balances are identified below.~~

1. **General Fund Operating Reserve.:** ~~The~~ The General Fund O~~o~~perating R~~r~~eserve establishes a minimum reserve to ensure ongoing operations. This reserve shall: ~~will be maintained to:~~

~~1.~~

- Temporarily insulate General Fund programs and current service levels against an economic recession to allow staff and City Council to make budgetary decisions that may be necessary, ~~from slower revenue growth that typically occurs during an economic recession.~~
- Enable the City to continue operations during an emergency or natural disaster, and

~~a.~~• Ensure that the City can withstand ~~Insulate General Fund programs and current service levels from large and unanticipated one-time expenditure requirements,~~ a revenue reduction due to a change in state or federal legislation, adverse litigation or any similar unforeseen action~~., and/or~~

~~b.~~a. ~~Temporarily insulate General Fund programs and current service levels from slower revenue growth that typically occurs during an economic recession.~~

The Government Finance Officers Association (GFOA) best practice, *Fund Balance Guidelines for the General Fund* recommends a minimum unassigned fund balance or emergency reserve of no less than two months of operations; however, setting a reserve for operations should include a deeper analysis of the circumstances of the government:

> The adequacy of unrestricted fund balance in the general fund should take into account each government's own unique circumstances. For example,

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governments that may be vulnerable to natural disasters, more dependent on a volatile revenue source, or potentially subject to cuts in state aid and/or federal grants may need to maintain a higher level in the unrestricted fund balance. Articulating these risks in a fund balance policy makes it easier to explain to stakeholders the rationale for a seemingly higher than normal level of fund balance that protects taxpayers and employees from unexpected changes in financial condition.

a. **Sedona Risk Factors**. While the City of Sedona faces the possibility of wildfires and flooding, Sedona's risk of natural disaster or emergency is not significantly higher than other cities. Additionally, the City does not rely heavily on federal or state grants for day-to-day operations. However, Sedona does not levy a property tax for operations. Property tax revenues are the least volatile revenue stream, as collections are certain. Sedona relies primarily on sales and bed tax for its operating revenue for governmental activities. Sales and bed tax are volatile and sensitive to economic and environmental changes. To mitigate the risk of a reduction in anticipated revenue, the City must establish a General Fund Operating Reserve that will ensure ongoing operations in the event of lower than expected or interrupted revenue streams.

b. **Target.** To ensure that the General Fund can continue to operate, and given the risk associated with Sedona's volatile revenue streams, the General Fund Operating Reserve target shall be set at 30% of budgeted expenditures (equivalent to 3.5 months of normal operations).

c. **Use of the General Fund Operating Reserve.** The City Council may use this reserve during a recession to either maintain General Fund programs and/or services in the short-term, or as bridge funding while staff and City Council evaluate current programs and services for potential cuts to expenditures as a response to declining revenues. The timing for use of this reserve may vary, but should:

    i. Be considered in the event of an anticipated ongoing reduction in overall General Fund revenue of more than 3% and expenditure savings are not expected to be enough to cover the reduction in revenue,

    ii. Be used within a defined time horizon (usually no more than 12-18 months), and

    iii. Not be used as a long-term solution for revenue deficits.

d. **Replenishment of Operating Reserve.** The GFOA recommends that local governments should seek to replenish operating reserves within one to three years of use, and identifies the following factors influencing the replenishment time horizon:

    i. The budgetary reason behind the reserve targets (for Sedona, the volatility of sales and bed tax revenue),

    ii. Recovering from an extreme event (e.g., a natural disaster),

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iii. Political continuity (ensuring that the City can continue to operate and sustain critical services),

iv. Financial planning time horizons,

v. Long-term forecasts and economic conditions, and

vi. External financing obligations.

The City of Sedona shall consider applicable factors influencing the replenishment time horizon if a use of operating reserves is deemed necessary. Staff will develop a plan for replenishment for City Council's review and approval. The plan for replenishment shall include the time horizon and factors influencing it, as well as a long-term (10-year) financial forecast. Should the time horizon be lengthened due to additional unanticipated changes in legislation and/or an extended recession, an amended plan shall be brought to City Council for approval.

2. Other General Fund Designations of Fund Balance and Reserves

a. **Budget Carryover Reserve.** This reserve is based on budgeted amounts that should be carried over from one fiscal year to the next. Amounts carried over must be legally encumbered and will vary based on the outstanding obligations at the end of the fiscal year. The amounts in the Budget Carryover Reserve shall not be considered surplus or included in any other reserves or designations. Encumbrances carried forward must be paid within 60 days of the end of the fiscal year. (42 A.R.S. §17108)

b. **Equipment Replacement Reserve.** The Equipment Replacement Reserve is intended to smooth the cost of vehicles and equipment over time by reserving an amount approximately equal to the anticipated future cost of replacement divided by the useful life of the asset.

Example:
A truck is purchased for Public Works for $56,000. Its useful life is expected to be seven (7) years.
$56,000 ÷ 7 = $8,000
$8,000 should be added to the reserve annually to replace the truck when it reaches end-of-life.

The Financial Services Department shall review the vehicle and equipment replacement plan annually to ensure that adequate reserves are in place to purchase replacements. An annual allocation from this reserve shall be included in the Annual Operating Budget, to purchase replacements planned during the fiscal year. New

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vehicles and equipment purchased supplementing the existing fleet will require additional monies to be contributed to the reserve.

e. **Capital Reserve.** The City Council may, at its discretion, establish a reserve for capital project expenditures. The City of Sedona funds most capital projects with pay-as-you-go funding from General Fund surplus. If established, a Capital Reserve may designate monies not included in another reserve, for specific, planned projects, or as a general reserve for future projects.

d. **Additional Reserves.** The City may establish additional committed, assigned, or unassigned fund balances reserves in any amount as deemed necessary.

~~The Council may use this reserve during the first 18 to 24 months of a recession to either maintain current General Fund services and programs or transition expenditure growth to match lower revenues. For purposes of this policy, lower revenues trigger the Council's assessment of use of this reserve when ongoing revenues fall 3% or more for two consecutive quarters compared to the same quarters of the prior year or the financial forecast estimates that ongoing revenues will fall 3% or more for the next fiscal year. Ongoing revenue is defined as revenue typically received every year. One-time revenue is defined as revenue not received annually or significant revenue in excess of routine levels (i.e., significant construction-related revenues, fluctuating grants and donations, "windfall" revenues, etc.).~~

~~The operating reserve target for the General Fund shall be 30% of the total adopted budgeted operating expenditures of the General Fund budget.~~

~~2. Budget Carryover Reserve: A reserve will be set aside for any budget carryovers and will not be considered part of any surplus.~~

~~3. Equipment Replacement Reserve: An equipment replacement reserve will be established and based on an annual allocation of equipment costs over the useful life of the asset. This reserve will be used to fund the replacement of such equipment.~~

~~4.1. The City may establish additional committed, assigned, or unassigned fund balances in any amount as deemed necessary.~~

~~B.~~ **Streets Fund.:** The Streets Fund is a governmental fund that is used to account for operations and maintenance costs associated with streets, sidewalks, shared-use-paths and other appurtenances of roadways.~~The fund balance for the Streets Fund consists of several balances for multiple purposes. These balances are identified below.~~

A.

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1. **Operating Reserve**:. The Streets Fund ~~The~~ Ooperating Rreserve establishes a minimum reserve to ensure that current service levels are maintained~~will be maintained to:~~ in the event of large and unanticipated one-time expenditure requirements, a revenue reduction due to a change in state or federal legislation, adverse litigation or any similar unforeseen action, and/or slower revenue growth that typically occurs during an economic recession.

~~1.~~

~~a. Insulate Streets Fund programs and current service levels from large and unanticipated one-time expenditure requirements, a revenue reduction due to a change in state or federal legislation, adverse litigation or any similar unforeseen action, and/or~~

~~a. Temporarily insulate Streets Fund programs and current service levels from slower revenue growth that typically occurs during an economic recession.~~

a. **Target.** To ensure that the Streets Fund can continue to operate, and given the risk associated with Sedona's volatile revenue streams, the Streets Fund Operating Reserve shall be 30% of budgeted expenditures (equivalent to 3.5 months of normal operations). The transfers from the General Fund to bridge the gap between revenues and expenditures will be budgeted based on maintaining the target balance. If actual Streets Fund results exceed the target balance, the difference will be considered a surplus up to the total amount of the General Fund transfer.

b. **Use of the Streets Fund Operating Reserve.** The City Council may use this reserve during a recession to either maintain streets maintenance programs and related services, or as bridge funding while staff and City Council evaluate the level of service for potential cuts as a response to declining revenues.

c. **Restrictions.** The portion of Streets Fund monies from the City's share of Highway User Revenue Fund (HURF) monies are restricted and ~~cannot~~may not be transferred to another fund or used for any other purpose.

~~c.~~

~~b. The Council may use this reserve during the first 18 to 24 months of a recession to either maintain **current Streets Fund services and programs or transition expenditure growth to match lower revenues. For purposes of this policy, lower revenues trigger the Council's assessment of use of this reserve when ongoing revenues fall 3% or more for two consecutive quarters compared to the same quarters of the prior year or the financial forecast estimates that ongoing revenues will fall 3% or more for the next fiscal year. Ongoing revenue is defined as revenue typically received every year. One-time revenue is defined as revenue not received annually or significant revenue in excess of routine levels**~~

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~~(i.e., significant construction-related revenues, fluctuating grants and donations, "windfall" revenues, etc.).~~

d. **Replenishment of Streets Fund Operating Reserve.** Replenishment of the Streets Fund Operating Reserve shall follow the GFOA recommendations outlined under the replenishment of General Fund Operating Reserves; however, if recovery from the event or recession is anticipated to lengthen the time horizon, replenishment of General Fund Operating Reserves shall be prioritized, except for funds restricted to streets (e.g., HURF). If the Streets Fund Operating Reserve is used, the replenishment shall be included in the plan approved by Council. (see General Fund / General Fund Operating Reserve / Replenishment of General Fund Operating Reserve)

~~The operating reserve target for the Streets Fund shall be 30% of the total adopted budgeted operating expenditures of the Streets Fund budget.~~

2. **Streets Rehabilitation/Pavement Preservation Reserve.** ~~:~~ The Streets Rehabilitation/Pavement Preservation Reserve temporarily insulates the City's rehabilitation and preservation program against an economic recession or legislative changes that may cause a reduction in revenue.

a. **Target.** As an operating reserve, t~~T~~he ~~fund balance~~ target for the Streets Rehabilitation/Pavement Preservation Reserve ~~Fund (excluding any other committed or assigned fund balances for specific purposes) shall be the difference between the highest expected annual pavement preservation/street rehabilitation cost and the average annual pavement preservation/street rehabilitation cost.~~ shall be 16%, equivalent to two months of budgeted expenditures. ~~The transfers from the General Fund to bridge the gap between revenues and expenditures will be budgeted based on maintaining the target balance. If actual Streets Fund results exceed the target balance, the difference will be considered a surplus up to the total amount of the General Fund transfer. The portion of Streets Fund monies from the City's share of Highway User Revenue Fund (HURF) monies are restricted and cannot be transferred.~~

~~2.~~ **b. Use and Replenishment of the Streets Rehabilitation/Pavement Preservation Reserve.** The use and replenishment of the Rehabilitation/Preservation Reserve shall follow the Streets Operating Reserve detailed above.

3. **Equipment Replacement Reserve.** ~~:~~ The ~~An~~ Eequipment Rreplacement Rreserve in the Streets Fund will be established and based on an annual allocation of equipment costs over the useful life of the asset. ~~–~~ This reserve will be used to fund the

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replacement of such equipment. The Equipment Replacement Reserve is intended to smooth the cost of vehicles and equipment over time by reserving an amount approximately equal to the anticipated future cost of replacement divided by the useful life of the asset. (See General Fund / Equipment Replacement Reserve)

a. **Use of the Equipment Replacement Reserve.** Use of the Equipment Replacement Reserve shall be part of the annual budget allocation according to the equipment replacement plans for the fiscal year.

4. **Budget Carryover Reserve.** This reserve is based on budgeted amounts that should be carried over from one fiscal year to the next. Amounts carried over must be legally encumbered and will vary based on the outstanding obligations at the end of the fiscal year. The amounts in the Budget Carryover Reserve shall not be considered surplus or included in any other reserves or designations. Encumbrances carried forward must be paid within 60 days of the end of the fiscal year. (42 A.R.S. §17108)

~~3.~~

~~C. **Grants & Donations Funds:** The fund balance in this fund is restricted to the purposes for which the monies were received. Balances will automatically carryover to the following fiscal year.~~

~~D.~~ **Wastewater Enterprise Fund.~~:~~** The Wastewater Enterprise Fund is a business-type fund that is used to account for all the activity related to the operation, maintenance and capital investments of the Wastewater system. ~~The City's current plan is to gradually eliminate the sales tax subsidy to the Wastewater Enterprise Fund. Once the subsidy is eliminated, the reserve levels will be reevaluated.~~

The fund balance ~~for~~ of the Wastewater Enterprise Fund is separate into several categories depending on the purpose. ~~consists of several balances for multiple purposes. These balances are identified below.~~

1. **Operating Reserve.~~:~~** The O~~o~~perating R~~r~~eserve ~~will~~ shall be maintained to ensure adequate working capital is available to guard against service disruption in the event of unexpected temporary revenue shortfalls or unpredicted one-time expenses.

   a. **Considerations and Risk.** The Wastewater Fund is not impacted by a potential economic downturn in the same way that the General Fund and other sales and bed tax-reliant funds. Nevertheless, it is important to establish adequate reserves to ensure that operations are able to continue in the event of an emergency during which regular revenues may not be immediately available.

   b. **Target.** The operating reserve ~~range~~ for the Wastewater Enterprise Fund, ~~including maintenance, operations, and administration~~ shall be ~~not less than~~maintained in a target range of 25% (90 days) ~~and not more than~~to 33.3% (120 days) of the total budgeted operating expenses of the Fund.

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2. **Legal Debt Service Reserve:** Debt service reserves required by any bond covenants shall be established to meet those legal requirements.

3. **Policy Debt Service Reserve:** In addition to any legally required debt service reserves, additional debt service reserves ~~shall~~ may be established ~~equal to the average of one year of the remaining enterprise fund debt service repayment requirements for any~~in the case of debt issuances that do not have specific~~ed~~ reserve requirements and are not covered by bond insurance.

~~4. Budget Carryover Reserve: A reserve will be set aside for any budget carryovers and will not be considered part of any surplus.~~

4. **Equipment Replacement Reserve:** An equipment replacement reserve ~~will~~ shall be established and based on an annual allocation of equipment costs over the useful life of the asset. This reserve will be used to fund the replacement of such equipment. The Equipment Replacement Reserve is intended to smooth the cost of vehicles and equipment over time by reserving an amount approximately equal to the anticipated future cost of replacement divided by the useful life of the asset. (See General Fund / Equipment Replacement Reserve)

~~5.~~

6.5. **Major Maintenance Reserve.:** The~~A~~ M~~m~~ajor M~~m~~aintenance Rreserve ~~will~~ shall be established to ensure that funds are available annually for major maintenance on the wastewater collection system and treatment plant. This reserve shall be~~and~~ based on ~~an~~ management estimates of the necessary annual allocation for~~of~~ major maintenance costs over the life of the anticipated maintenance ~~need~~. This reserve ~~will~~ may be ~~used~~ budgeted to fund major~~the~~ maintenance ~~costs~~ projects as needed.

6. **Capital Improvements Reserve.:** A capital improvements reserve will be established and maintained based on the higher of the estimated ensuing fiscal year's "pay-as-you-go" projects or an average of the "pay-as-you-go" projects over the next five years in accordance with the City's Capital Improvement Plan.

   a. **Target.** The target will vary depending on the capital plans for the Wastewater System and Treatment Plant. The reserve amount shall be evaluated by Finance staff and Wastewater administration to ensure adequate reserves for planned projects.

~~7.~~

7. **Budget Carryover Reserve.** This reserve is based on budgeted amounts that should be carried over from one fiscal year to the next. Amounts carried over must be legally

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encumbered and will vary based on the outstanding obligations at the end of the fiscal year. The amounts in the Budget Carryover Reserve shall not be considered surplus or included in any other reserves or designations. Encumbrances carried forward must be paid within 60 days of the end of the fiscal year. (42 A.R.S. §17108)

~~The City may establish additional committed, assigned, or unassigned fund balances in any amount as deemed necessary.~~

~~The City's current plan is to gradually eliminate the sales tax subsidy to the Wastewater Enterprise Fund. Once the subsidy is eliminated, the reserve levels will be reevaluated.~~

Public Transit Enterprise Fund

The Public Transit Fund is an enterprise fund that accounts for all of the activities related to the operations, maintenance and capital costs of Sedona's transit system. The Public Transit Fund maintains the following reserves.

1. **Equipment Replacement Reserve.** The Equipment Replacement Reserve in the Streets Fund will be established based on an annual allocation of equipment costs over the useful life of the asset. This reserve will be used to fund the replacement of such equipment. The Equipment Replacement Reserve is intended to smooth the cost of vehicles and equipment over time by reserving an amount approximately equal to the anticipated future cost of replacement divided by the useful life of the asset. (See General Fund / Equipment Replacement Reserve)

    a. **Use of the Equipment Replacement Reserve.** Use of the Equipment Replacement Reserve shall be part of the annual budget allocation according to the equipment replacement plans for the fiscal year.

2. **Additional Reserves.** The City may establish additional reserves for operations and/or to mitigate the risk related to grants, which are not a guaranteed revenue stream.

3. **Budget Carryover Reserve.** This reserve is based on budgeted amounts that should be carried over from one fiscal year to the next. Amounts carried over must be legally encumbered and will vary based on the outstanding obligations at the end of the fiscal year. The amounts in the Budget Carryover Reserve shall not be considered surplus or included in any other reserves or designations. Encumbrances carried forward must be paid within 60 days of the end of the fiscal year. (42 A.R.S. §17108)

~~8.~~

Other Funds

Municipal Court Fund. The Municipal Court Fund accounts for activities related to the Municipal Court. Reserves in this fund include restricted reserves with specific purposes

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according to the State of Arizona. These reserves carry over annually and the amounts may be budgeted for expenditures that align with the purpose of the funds.

Grants & Donations Fund. The fund balance of the Grants & Donations Fund is restricted to the purposes for which the monies were received. Balances will automatically carryover to the following fiscal year.

~~E. **Public Transit Enterprise Fund:** The fund balance for the Public Transit Enterprise Fund consists of several balances for multiple purposes. These balances are identified below.~~

~~1. Budget Carryover Reserve: A reserve will be set aside for any budget carryovers and will not be considered part of any surplus.~~

~~2. Equipment Replacement Reserve: An equipment replacement reserve will be established and based on an annual allocation of equipment costs over the useful life of the asset. This reserve will be used to fund the replacement of such equipment.~~

~~3. The City may establish additional committed, assigned, or unassigned fund balances in any amount as deemed necessary.~~

Capital Improvements Fund.: The Capital Improvements Fund accounts for ~~was created to account for~~ resources ~~designated to construct or acquire~~used in the construction or acquisition of capital assets and major improvements. ~~Occasionally, these~~The execution of capital projects usually~~may~~ extends beyond a single fiscal year. Because projects accounted for in the Capital Improvements Fund are included in the annual budget and funded through transfers from other funds, the capital plan and the cash flow requirements of the upcoming fiscal year should be evaluated annually to ensure adequate funding is available from upcoming revenue or General Fund unassigned fund balance. ~~Therefore, although no specific reserve requirement is established for the Capital Improvements Fund, at a minimum, the fiscal year-end fund balance, coupled with estimated revenues for the ensuing fiscal year, must be sufficient to fund the "pay-as-you-go" capital fund obligations for the next fiscal year. This will follow the City's Capital Improvement Plan.~~

~~F.~~

~~G.~~ **Development Impact Fee Funds.:** The fund balance in this fund is restricted to the purposes for which the monies were received. Balances will automatically carryover to the following fiscal year.

~~H.~~ **Art in Public Places Funds. :** The fund balance in this fund is restricted to the purposes for which the monies were received. Balances will automatically carryover to the following fiscal year.

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~~I.~~ **~~Internal Service FundsInformation Technology Fund. :~~** ~~Currently, the City's only Internal Service Fund is the Information Technology Fund. The fund balance for the Internal Service Funds consists of several balances for multiple purposes. These balances are identified below.~~ The IT Fund accounts for all activity related to IT, including, but not limited to, equipment, network costs, and software. This fund is an internal service fund which has no revenue beyond charges for services to other funds. The IT Fund maintains the following reserves.

1. Equipment Replacement Reserve.: The Equipment Replacement Reserve in the Streets Fund will be established based on an annual allocation of equipment costs over the useful life of the asset. This reserve will be used to fund the replacement of such equipment. The Equipment Replacement Reserve is intended to smooth the cost of vehicles and equipment over time by reserving an amount approximately equal to the anticipated future cost of replacement divided by the useful life of the asset. (See General Fund / Equipment Replacement Reserve)

a. Use of the Equipment Replacement Reserve. Use of the Equipment Replacement Reserve shall be part of the annual budget allocation according to the equipment replacement plans for the fiscal year.

~~An equipment replacement reserve will be established and based on an annual allocation of equipment costs over the useful life of the asset. This reserve will be used to fund the replacement of such equipment.~~

b. Budget Carryover Reserve.: This reserve is based on budgeted amounts that should be carried over from one fiscal year to the next. Amounts carried over must be legally encumbered and will vary based on the outstanding obligations at the end of the fiscal year. The amounts in the Budget Carryover Reserve shall not be considered surplus or included in any other reserves or designations. Encumbrances carried forward must be paid within 60 days of the end of the fiscal year. (42 A.R.S. §17108)

~~1. A reserve will be set aside for any budget carryovers and will not be considered part of any surplus.~~

~~2.~~ ~~**a.**~~ ~~Equipment Replacement Reserve: An equipment replacement reserve will be established and based on an annual allocation of equipment costs over the useful life of the asset. This reserve will be used to fund the replacement of such equipment.~~

~~3. The City may establish additional committed, assigned, or unassigned fund balances in any amount as deemed necessary.~~

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~~6.~~1. **Assignment of Fund Balances:**

The City Manager is authorized to assign fund balances for specific purposes in accordance with the intent of the City Council and assigned fund balances can only be spent as authorized in the City's Purchasing Policy.

~~7.~~2. **Use of Reserves:**

It is the intent of the City to limit use of the Operating Reserves to address unanticipated, non-recurring needs. Reserves shall not normally be applied to recurring annual operating expenditures. Reserves, however, may be used to allow time for the City to restructure its operations in a deliberate manner (as might be required in an economic downturn), but such use will only take place in the context of an adopted long-term plan.

Surpluses and Shortfalls:

~~8.~~ General Fund

If it is determined there is a surplus, an amount of fund balance in the General Fund that is more than the established fund balance target, the funds may be appropriated or designated during the annual budget process for items that are one-time costs, including the following: ~~(an amount in excess of the fund balance target or the upper limit of the fund balance range for any fund), the funds may be designated or appropriated at the next budget cycle for the following purposes in order of priority:~~

~~A. **A. Eliminate shortfalls in related funds.** Any General Fund surplus shall be transferred to cover shortfalls within Streets, Capital Improvement or any other fund initiated by the City to provide City services. Any Utilities Operating Fund (Enterprise) surplus shall be transferred to the respective Utilities Capital Improvements Fund.~~

1. **Eliminate shortfalls in other funds.** Any General Fund surplus may be transferred to cover shortfalls within other governmental funds. If a governmental fund is running a consistent deficit, the General Fund shall cover the fund balance shortfall, and an analysis of the expenditures and revenues/transfer shall be completed by the Financial Servies Department.
2. **Reduction or avoidance of debt.** Any General Fund surplus may be applied to reduce or eliminate short or long-term debt within a governmental fund if there is a demonstrated economic gain to the City. Surplus may also be used to reduce the total amount of a proposed debt issuance through the direct payment for a portion of the total cost being financed.

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~~B. If there is short- or long-term debt within the fund, the surplus may be applied to reduce or eliminate the debt if financial analysis proves this to be advantageous for the City. If a borrowing is scheduled, the surplus may be used to reduce the principal amount the City needs to obtain if financial analysis proves this to be advantageous for the City.~~

~~3.~~

~~1.~~ **One-time capital ~~needs~~expenditures.** ~~Since a surplus does not represent a recurring source of revenue it should not be used to fund a recurring expense; however, i~~If a one-time capital expenditure ~~has been~~is identified~~, but that is~~ not already funded ~~through an appropriation~~within the annual budget~~, the a~~ surplus may be appropriated for ~~this use~~the expenditure.

4. **Tax, fee, or rate stabilization.** Surplus funds may be ~~designated~~ used as a temporary measure for stabilization ~~in order~~ to avoid raising taxes, fees, or rates ~~related to the fund in subsequent years~~in governmental funds. ~~For instance, a surplus in the Enterprise Fund may trigger reevaluation and possible reduction of the sales tax subsidy provided to the Enterprise Fund in the future.~~

Wastewater Fund

1. **Reduce or avoid of debt.** Any General Fund surplus may be applied to reduce or eliminate short or long-term debt within a governmental fund if there is a demonstrated economic gain to the City. Surplus may also be used to reduce the total amount of a proposed debt issuance through the direct payment for a portion of the total cost being financed.
2. **One-time capital expenditures.** If a one-time capital expenditure is identified that is not already funded within the annual budget, a surplus may be appropriated for the expenditure.
3. **Rate stabilization.** A surplus in the Wastewater Fund may be used as a temporary measure for stabilization to avoid increasing fees or increase them at a lower-than-required rate to meet operating and capital needs. If such a use is being considered, an analysis of the long-term impact of the use shall be conducted to ensure that future operations and capital needs continue to be met.

If a fund is in a shortfall position, in which the fund balance or net assets that support working capital do not meet the target percentage or range for the fund, a plan shall be put in place to replenish the fund balance as quickly as practical.

~~9. Shortfall:~~

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~~If it is determined there is a shortfall (an amount below the fund balance target or the lower limit of the fund balance range for any fund), the fund balance is to be replenished as quickly as possible through the following mechanisms in order of priority:~~

~~A. With exception of funds with legal restrictions as to the use of funding sources, a distribution of surplus from other related funds as delineated under "Surplus" category.~~

~~B. An appropriation during the next annual budget process of at least 20% of the shortfall until the target or lower limit has been reached.~~

~~C. If A. or B. is financially infeasible, a written plan shall be forwarded by the Director of Financial Services to the City Manager for Council approval in order to restore the fund balance to an amount equal to the target or within the range within a practical time frame. This plan may require reduction of services, increases in taxes, fees, or rates, or some combination thereof.~~

Effective Date

This policy shall be effective immediately upon approval by the City Council of the City of Sedona and shall remain in effect until amended or rescinded by the City Council.

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Page 18: [1] Formatted **Barbara Whitehorn** **2/20/2025 6:13:00 PM**

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Agenda Item: 8a
Proposed Action & Subject: Discussion/possible action/direction on visitor services for the Tourism Program, and approval of a 1-year contract with the Greater Sedona Chamber of Commerce for continued operations of the Uptown Visitor Center, in the amount of $351,440 for FY 2026 and the option to renew for FY 2027 in the amount of $358,892, and purchase of digital kiosks and associated costs in the amount of $115,000.

Department	Communications, Tourism and Economic Initiatives Department/Lauren Browne
Time to Present	30 minutes
Total Time for Item	1 hour
Other Council Meetings	N/A
Exhibits	A. FY 24 and FY 25 Visitor Center Budget B. Q1 and Q2 Visitor Center Quarterly Reports FY25 C. FY 25 Visitor Center Contract D. Comparables – Front Burner Media E. FY 26 and FY 27 Visitor Center Proposed Budget F. FY 26 and FY 27 Visitor Center Contract for Services

Finance Approval	Reviewed 2/25/25 BGW			
City Attorney Approval	Reviewed 2/25/25 KWC		**Expenditure Required**	
			$	351,440
City Manager's Recommendation	Reviewed ABS 2/28/25		Amount Budgeted	
			$	350,000 (FY26 proposed budget)
			Account No. (Description)	10-5227-72-6722 (Visitor Services)

SUMMARY STATEMENT

Background: There are many pieces to the Visitor Services "pie" in Sedona, which includes both the Uptown Visitor Center owned and operated by the Greater Sedona Chamber of Commerce (GSCC) and the Red Rock Ranger District Visitor Center, tourism-related websites, hotel concierges, marketing videos played on the Sedona Shuttle, and more.

A key imperative to the Sedona Tourism Plan is to "provide robust visitor services within Sedona," with one of the initiatives under that imperative being to "determine a visitor services

strategy that includes assessing the current Uptown Visitor Center and exploring new investments."

The Tourism Advisory Board (TAB) was asked to make a recommendation, outlined below, to City Council on what Visitor Services options should be implemented in Fiscal Year (FY) 2026. A key focus of this included moving beyond any conventional thoughts of "this is the way it's always been done" and bringing all ideas forward.

Throughout these discussions over six months, the TAB has explored new technology that could be implemented and brainstormed opportunities to enhance the physical space of the existing Uptown Visitor Center. The TAB also took a deep dive into the Uptown Visitor Center's budget and operations to conduct a cost-benefit analysis.

Regarding specifically the Uptown Visitor Center background, on April 9, 2024 the City Council approved a $341,228 contribution to support the operations of the Visitor Center for FY 2025. The $341,228 represented an 80/20 cost share between the City and the GSCC. The total annual budget was $426,535; in that was a $370,900 operating budget, which included $25,500 in annual building rent and an administrative overhead fee of $55,635 which is 15% of both the operating expenses and rent. This was a leaner budget than the previous Fiscal Year by $90,100 because there were substantial cuts to line items like salary, volunteer appreciation, maps and restroom maintenance. For reference, see Exhibit A for a comparison of the FY 24 budget to the FY 25 budget.

Discussion:

The TAB recommends the following regarding Visitor Services for FY 2026.

By majority consensus, the TAB supports:

- The desire to think of Visitor Services as many components, with the Uptown Visitor Center as just one of those components
- The importance of the Uptown Visitor Center as a physical space that provides Visitor Services
- The need for technology to enhance the delivery and reach of Visitor Services in Sedona, but not as a replacement to a physical visitor center
- The optimization of the layout of the Uptown Visitor Center
- The identification that the Uptown Visitor Center budget is lean with no obvious line item to decrease substantially

Therefore, the TAB recommends:

- The current model of the City funding 80% and the GSCC funding 20% of the Uptown Visitor Center budget, similar to FY 2024
- A technology package featuring digital kiosks for no more than $100,000
- The testing of digital kiosks, including mobile engagement, to determine if this method of delivering Visitor Services resonates with visitors and if so, to consider installing additional digital information kiosks in subsequent years. Doing so will be an investment in the future for the delivery of Visitor Services in Sedona
- The expansion of robust, world-class information on the digital information kiosks to offer an unparalleled Visitor Services experience including:
    - A curated trail map to assist with visitor management

- Restaurant and shopping listings
- Hotel and experience listings and booking ability
- Red Rock Pass purchase ability
- Sedona shuttle information
- A mobile app version of the kiosk
- An artificial intelligence chatbot
- Easy, streamlined ways to send the information to a mobile device
- Access to new data analytics related to visitor engagement with the kiosks

With no funding request attached, the TAB also recommends that the City and the GSCC explore enhancements to the physical space of the Uptown Visitor Center in the future. Some of those improvements may include:

- A kid-friendly table with engaging children's activities
- A wrap of the building/windows with the City's Tourism Program branding and campaigns
- An audit of the rack card display, including easier ways to integrate QR code use
- An interactive 3D topographic map
- An interactive display of the local geology and wildlife
- Enhancing sustainability messaging within the Uptown Visitor Center
- Offering a local products showcase

GSCC Metrics, Comparison and Staff Request

According to the GSCC's Q2 report for the Uptown Visitor Center, 75,051 people have been served on-site through the first six months of the fiscal year, i.e. through December 2024. That is 50% of the projected target to serve 150,000 visitors annually. According to the same report, 3,248 visitors have been served via telephone or email, or 43% of the FY 25 goal. Comparing July – December 2024 with July – December 2023, the two visitor counts are up 16.9 and 17.6 percent, respectively. The full Q2 report is included as Exhibit B, which also includes the budget-to-actuals reports for the first six months of the fiscal year as well as the customer satisfaction survey results. These reports comply with the reporting requirements set forth in the FY25 contract for services (Exhibit C).

The Uptown Visitor Center relies on a solid base of volunteers to assist with operations, however with the volunteer base primarily consisting of an older population, volunteers have dwindled. To help address this, the GSCC is engaging with Northern Arizona University's School of Hotel and Restaurant Management to get hands-on tourism industry experience with the City's Tourism Program, the GSCC operations and volunteer hours at the Uptown Visitor Center.

In the past, it has been said that 3.5 million people visited Sedona a year, and if the Uptown Visitor Center's target is to serve 150,000 people in person, they would only be serving approximately 4.3% of Sedona tourists. However, with the visitor study completed with Kimley Horn, in rough estimates it was determined that on average only about 1.4 million visitors per year are unique. With this figure in mind, the Visitor Center serves approximately 10.7% of the unique visitors.

From FY 25's discussion with City Council on Visitor Center funding, the City of Sedona's then tourism consultant, Heather Hermen of Front Burner Media provided supplemental information about the costs and operations of several other visitor centers for comparison purposes. See Exhibit D. Regarding the cost-benefit analysis for the Uptown Visitor Center, the TAB believes that for the cost, the amount of visitors served is on par with or better than other destinations:

Destination	Estimated Annual Visitation	Visitor Center Engagement	Annual Visitor Center Budget
Cottonwood	1-1.75M	10,000	$95,000
Santa Fe, NM	3M	120,000	$440,000
Flagstaff	5M	120,000	$670,000
Williams	1.5M	80,000	$368,000
Tucson	4.9M	33,000	$1,291,557

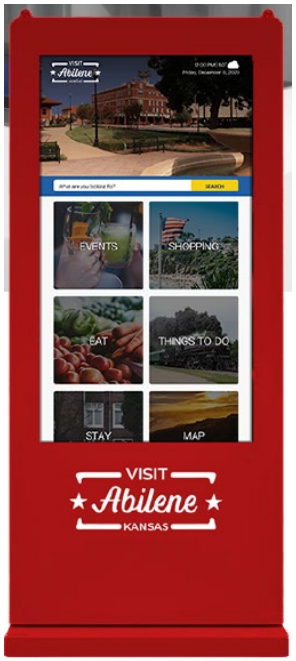
The City is also working with the GSCC to put Stay Inspired branding on the outside of the Uptown Visitor Center and will work to add any additional marketing materials like the coming Visitor Guide, to the marketing collateral offered at the Visitor Center counters. Additionally, the Tourism Program Staff will be working with the GSCC to better collect and report on Visitor Center user experience data with initial ideas on in-person data collection once a month already being discussed.

Based on the recommendation from the TAB, City staff and the GSCC are requesting City Council consider extending funding the operations of the Uptown Visitor Center for FY 26 with the option to renew for FY 27. A FY 26 and FY 27 proposed budget can be viewed in Exhibit E. A draft contract can be viewed in Exhibit F. The City's proposed contribution is an amount not to exceed $351,440 for FY 26 and if renewed, $358,892 for FY 27, a $10,212 and $17,664 increase respectively, compared to FY 25. The majority of the increase is due to salary and wage increases and an expected 35 percent water rate increase. If City Council were to prefer a two-year contract for the combined total of the budgeted FY 26 and FY 27 amounts, this could be accommodated, and the contract would be amended to reflect the change.

Digital kiosks

In order to enhance and diversify Visitor Services in Sedona, the TAB believes having better digital information for visitors is key. A coordinated, thoughtful Visitor Services strategy provides visitors with a consistent message on how the destination is represented and is one of the best ways to encourage responsible and respectful behaviors. A great way to distribute that message is through the use of digital kiosks as a destination marketing *and* management tool.

Staff looked into the feasibility of kiosks, given that over ten years ago, an outdoor kiosk was purchased by the GSCC and vandalized, ultimately leading to removing it. After discussions with several vendors, staff feels like it is time to try this visitor services tool again, knowing that there have been technology and materials advancements that make the platform more useful and the kiosks themselves more resilient to surviving outdoor vandalism and climates.



Staff recommends purchasing up to three digital kiosks that are climate controlled to withstand Sedona's weather, to be placed in strategic locations in Uptown and Tlaquepaque. These could be double sided or one sided depending on the location. An initial evaluation of ideal site locations includes the Uptown Visitor Center, a location near the mid-block pedestrian crossing, and Tlaquepaque. Additionally, staff has had initial discussions with Public Works Staff on the possibility of a location inside the Uptown Parking Garage. In total, expenditures are expected to be $90,000 for the kiosks and the software that powers them (one-time with a five-year warranty), $10,000 for the annual licensing and support costs (ongoing every year), $10,000 in installation costs (one-time) and $5,000 for SIM card/cell service connectivity (ongoing).

Regarding the user experience, visitors would be able to interact with different modules to access relevant information about Sedona. These modules would be displayed as tiles on a touch screen and could include:

- a trails module with a curated map and experiences of the area that show only agreed upon trailheads and trail systems
- a restaurant guide module
- an activities and experiences module with booking ability
- a hotel booking module
- an itinerary development module
- a module to purchase a Red Rock Pass
- a Sedona Shuttle module to track where transit is and show how to book

A key outcome from engagement with a digital information kiosk is that users can send any of the information directly to their phone for immediate use. Any emails collected will also assist in building contact lists for future re-targeting through consumer newsletters and destination and educational marketing.

Successful implementation of this strategy will assist with advancing destination management in Sedona by providing another touch point that creates a more informed visitor. A key goal of the Tourism Program is to invest in strategies that create a smarter visitor that is more aware of the expectations of them and the services that are available to them to engage in responsible and respectful behaviors while they are in the community. An objective of these kiosks is to provide detailed information about the Sedona Shuttle, approved hiking trails, and how to successfully plan their experience in Sedona.

This initial investment could also be viewed as a test. If these kiosks are used widely, there is an option in future years to install kiosks at additional locations and to consider a mobile kiosk version that can be taken to events, for example.

It is possible that there will be unspent funds from the Tourism Program's budget in FY 25 that would allow for the purchase of digital kiosks before June, if City Council prefers to accelerate the purchase of the technology, rather than going through the annual budget process. City procurement policy allows for the City Manager to authorize purchase of kiosks if under $100,000. Staff has reached out to three vendors for pricing, which is also in line with the City's procurement policy. Staff would like direction on if and how Council would like to proceed with purchasing the kiosks.

Budget:

The FY26 Proposed Budget includes $350,000 funding for the continued operations of the Visitor Center. The extra $1,440 can be found from savings in other program areas. The $115,000 for the digital kiosks can be found in salary and program savings in FY 25; otherwise, it will come as a decision package through the FY 26 budget process.

Climate Action Plan/Sustainability Consistent: ☐**Yes -** ☐**No -** ☒**Not Applicable**

Board/Commission Recommendation: ☐**Applicable -** ☒**Not Applicable**

Alternative(s): Council may choose not to approve contract.

MOTION

I move to: approve a contract for services with the Greater Sedona Chamber of Commerce in the amount of $351,440 for the operations of the Visitor Center for fiscal year 2026, with an option to renew in fiscal year 2027 in the amount of $358,892, and approve the purchase of digital kiosks in fiscal year 2025 for $115,000.

	Visitor Center City of Sedona Funding			
		FY 6/30/24 Budget	FY 6/30/24 Actual	FY 6/30/25 Budget
1	Building & Grounds Maintenance	60,000	39,345	41,000
2	Commercial Package Insurance	2,500	2,559	2,900
3	Equipment Lease	5,000	2,003	0
4	Mortgage Interest	10,000	10,453	0
5	Rent	0	0	25,500
6	Real Estate Tax	3,000	2,897	3,100
7	Storage & Handling	5,000	3,396	2,500
8	Utilities	15,000	12,963	13,900
9	Furniture & Equipment	1,000	0	1,000
10	Computer & IT	6,000	5,910	6,000
11	Dues	0	100	100
12	Human Resources	2,000	1,287	1,000
13	Staff Development	5,000	1,954	3,000
14	Volunteer Recognition & Dev.	30,000	9,526	12,000
15	Supplies	11,000	6,046	6,000
16	Telephone/Data/ Internet	12,000	6,527	3,600
17	Workers' Comp	500	927	700
18	Salaries	115,000	55,469	53,000
19	Wages	115,000	129,625	152,000
20	Payroll Tax	18,000	14,373	16,000
21	SIMPLE IRA Contributions	5,000	2,911	3,500
22	Group Insurance	16,000	6,501	9,100
23	Collateral - Counter Maps	24,000	7,759	15,000
24	Total bed tax funded expenses	461,000	322,531	370,900
25	15% administrative overhead fee	69,150	48,380	55,635
26	Total bed tax funded expenses	530,150	370,911	426,535
27	City of Sedona 80% portion	424,120	296,730	341,228

Greater SEDONA
CHAMBER OF COMMERCE
& TOURISM BUREAU

February 13, 2025

Anette Spickard
City Manager, City of Sedona
RE: SCC&TB Quarterly Report for the Uptown Visitor Center

Following is our report for the Uptown Visitor Center on 331 Forest Road reflecting October through December 2024 activity. We are happy to answer any questions you may have. Thank you for our partnership.

Key Performance Indicators				
Visitors Assisted	October	FYTD	Goal	% of Target
In-person	17,237	48,485	150,000	32%
Email & Telephone	842	2,309	7,500	31%
	November	FYTD	Goal	% of Target
In-person	14,094	62,579	150,000	42%
Email & Telephone	538	2,847	7,500	38%
	December	FYTD	Goal	% of Target
In-person	12,472	75,051	150,000	50%
Email & Telephone	401	3,248	7,500	43%

Comparing July through December 2024 to the prior year period, walk-ins increased 10,842 from 64,209 to 75,051 and phone and email communications increased 487 from 2,761 to 3,248. The highest number of domestic visitors in October and November were from California and in December were from Arizona.

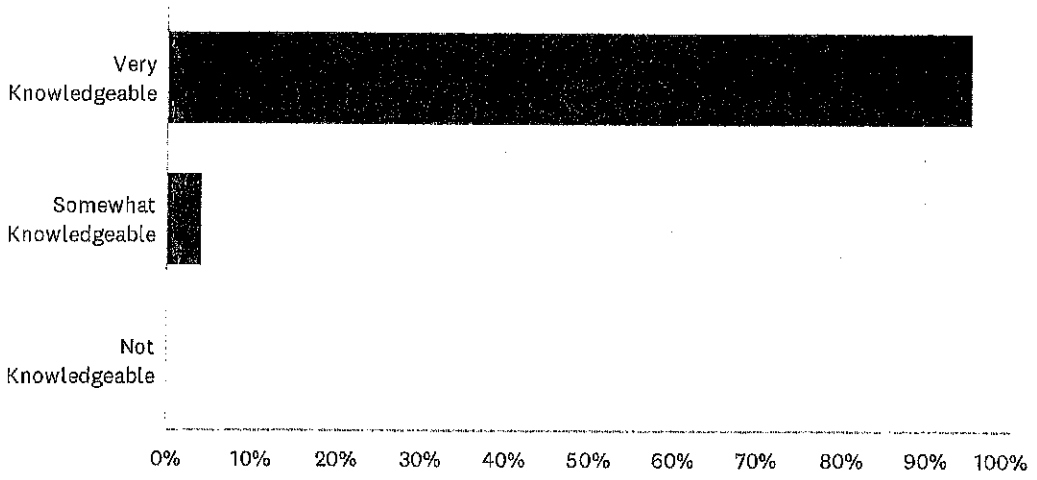
The following page summarizes the monthly city funding invoices for the six months ending 12/31/24. The summary compares the invoiced amounts to the FY25 operating budget amounts. There are no significant variances.

Also included are results of a visitor center customer satisfaction survey. The responses are based on a survey embedded in the October Consumer eNewsletter.

	Visitor Center City of Sedona Funding - Year Ended 06/30/25				
	Monthly Invoices		Vs. Budget		
		July thru Dec 2024	FY25 Budget	% of Budget	Comment
1	Building & Grounds Maintenance	21,196	41,000	52%	
2	Commercial Package Insurance	1,348	2,900	46%	
3	Rent	12,750	25,500	50%	
4	Real Estate Tax	1,504	3,100	49%	
5	Storage	1,224	2,500	49%	
6	Utilities	6,888	13,900	50%	
7	Furniture & Equipment	0	1,000	0%	
8	Accounting	1,200	0		CPA due diligence procedures FY24
9	Computer & IT	2,704	6,000	45%	
10	Human Resources	370	1,000	37%	
11	Staff Development	1,730	3,000	58%	
12	Volunteer Recognition & Dev.	4,882	12,000	41%	
13	Supplies	1,399	6,000	23%	
14	Telephone & Internet	1,725	3,600	48%	
15	Workers' Comp	206	700	29%	
16	Salaries	26,385	53,000	50%	
17	Wages	72,780	152,000	48%	
18	Payroll Tax	8,218	16,000	51%	
19	SIMPLE IRA Contributions	1,764	3,500	50%	
20	Group Insurance	3,879	9,100	43%	
21	Counter Maps	0	15,000	0%	Anticipate March order
22	Dues	100	100	100%	
23	Total QB Expense funded by City	172,252	370,900	46%	
24	15% admin fee	25,838	55,635	46%	
25	Total Expense funded by City	198,090	426,535	46%	
26	City 80% portion	158,472	341,228	46%	

Q1 How knowledgeable was the staff member or volunteer who assisted you at the Visitor Center?

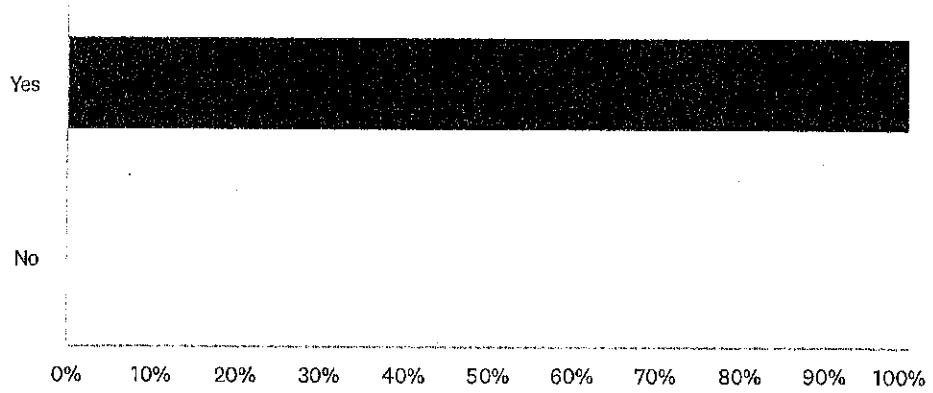
Answered: 23 Skipped: 0



ANSWER CHOICES	RESPONSES	
Very Knowledgeable	95.65%	22
Somewhat Knowledgeable	4.35%	1
Not Knowledgeable	0.00%	0
TOTAL		23

Q2 Was the staff member or volunteer polite and professional at the Visitor Center?

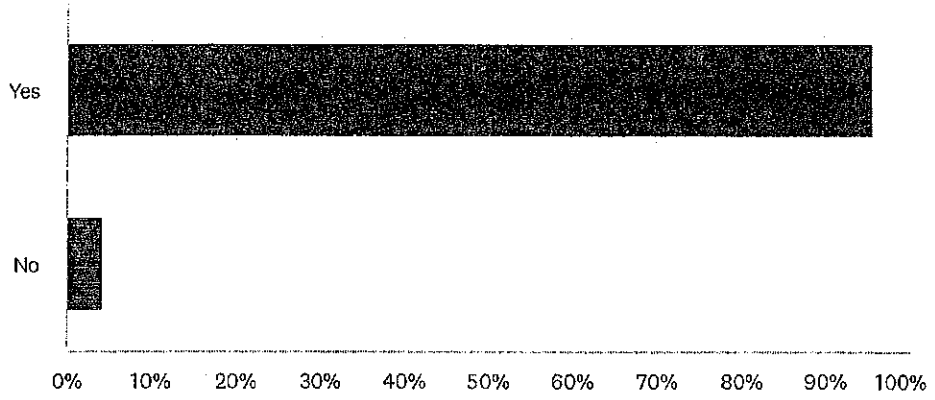
Answered: 23 Skipped: 0



ANSWER CHOICES	RESPONSES	
Yes	100.00%	23
No	0.00%	0
TOTAL		23

Q3 Will you stop by the Visitor Center again in a future trip to Sedona?

Answered: 23 Skipped: 0



ANSWER CHOICES	RESPONSES	
Yes	95.65%	22
No	4.35%	1
TOTAL		23

Q4 What did you like most about your visit to the Visitor Center? Please write your answer in the box below.

Answered: 23 Skipped: 0

#	RESPONSES	DATE
1	Well informed people. I work at Sky Harbor Airport in Phx, and give info to passengers and visitors. So I kind of do the same thing as the Visitor Center. Hats off to these folks.	11/18/2024 3:50 PM
2	Very helpful staff. Restrooms & parking. Location-location-location. Thank you.	11/18/2024 9:10 AM
3	The selection of ideas is amazing.	11/18/2024 5:44 AM
4	The maps	11/17/2024 11:01 PM
5	It has clean bathrooms and it seemed quite fascinating.	11/17/2024 10:14 PM
6	The staff was very polite and so helpful.	11/17/2024 9:27 PM
7	Different ideas of things that we can do while in the Sedona area.	11/17/2024 9:23 PM
8	The staff member gave us some ideas for things to do that we had not done on previous trips to the Sedona area. He also mentioned some ways to avoid the traffic congestion 😊.	11/17/2024 5:08 PM
9	Helpfullness	11/17/2024 3:18 PM
10	Knowledgeable	11/17/2024 12:28 PM
11	Lots of info and brochures! Knowledgeable staff	11/17/2024 11:09 AM
12	Great place! Discount cards for food, activities and more! Very happy workers means a great place to work and it reflects that in our visit! L	10/21/2024 4:11 PM
13	helps to get update information before heading out to trails and surroundings	10/19/2024 12:53 PM
14	Staff woman was very personable and knowledgeable. She headed us toward all the sites. Let us know about shuttles. Left feeling comfortable in getting around!	10/18/2024 9:19 PM
15	Everything about Sedona is available	10/17/2024 10:14 AM
16	Great recommendations for family of 8 and a 1 day visit	10/17/2024 9:01 AM
17	Enjoyed the people working there.	10/17/2024 8:51 AM
18	Folks who know the area and freely share their knowledge in a very welcoming way.	10/17/2024 4:04 AM
19	The Environment, The People, Hiking and Food	10/17/2024 3:33 AM
20	Great information about ALL my questions	10/16/2024 3:50 PM
21	Received all the advice and information needed	10/16/2024 2:32 PM
22	Information and suggested things to see and experience	10/16/2024 2:31 PM
23	Great information and hand-outs.	10/15/2024 12:37 PM

Q5 What did you like least about your visit to the Visitor Center? Please write your answer in the box below.

Answered: 23 Skipped: 0

#	RESPONSES	DATE
1	Nothing I didn't like.	11/18/2024 3:50 PM
2	Nothing.	11/18/2024 9:10 AM
3	Lack of handicap parking.	11/18/2024 5:44 AM
4	They ran out of an awesome biridentification fold up chart	11/17/2024 11:01 PM
5	It was difficult to find.	11/17/2024 10:14 PM
6	Nothing, info given was great	11/17/2024 9:27 PM
7	Lady talked to much about herself.	11/17/2024 9:23 PM
8	It's all good!	11/17/2024 5:08 PM
9	Nothing	11/17/2024 3:18 PM
10	waiting time	11/17/2024 12:28 PM
11	X	11/17/2024 11:09 AM
12	Not a thing	10/21/2024 4:11 PM
13	limited hours of opening	10/19/2024 12:53 PM
14	If anything, overcrowding.	10/18/2024 9:19 PM
15	Nothing	10/17/2024 10:14 AM
16	Nothing	10/17/2024 9:01 AM
17	n/a	10/17/2024 8:51 AM
18	Parking can be tricky.	10/17/2024 4:04 AM
19	Everything was perfect on our first trip. We are coming again from November 5-15. Really needed to return. Loved it so much!!!	10/17/2024 3:33 AM
20	Not applicable at all. On 13 visits I have always checked in before heading out on a variety of activities, an have always been glad I did this	10/16/2024 3:50 PM
21	N/A	10/16/2024 2:32 PM
22	N/a	10/16/2024 2:31 PM
23	Nothing	10/15/2024 12:37 PM

VISITOR SERVICES AGREEMENT

THIS VISITOR SERVICES AGREEMENT ("Agreement") is entered into by and between the Sedona Chamber of Commerce, Inc., an Arizona nonprofit corporation, DBA Sedona Chamber of Commerce & Tourism Bureau ("SCC&TB") and the City of Sedona, an Arizona municipal corporation ("City"), this 11th day of July, 2024 to be effective on July 1, 2024.

RECITALS

WHEREAS, the SCC&TB will manage and administer the Visitor Center located at 331 Forest Rd, Sedona, AZ 86336, designed to educate and manage visitors for the benefit of the residents of the City and thereby contributing to the healthy Sedona economy and the City in general; and

WHEREAS, the City and SCC&TB desire to continue their longstanding partnership in operating the Visitor Center.

AGREEMENT

NOW, THEREFORE, in consideration of the foregoing, the City and the SCC&TB do mutually agree as follows:

1. ADMINISTRATION

   1.1. In carrying out the terms of this agreement, the SCC&TB agrees to continue to follow all of its bylaws which are also incorporated, by reference, into this agreement.

   1.2. The SCC&TB shall continue to operate as a 501(c)(6) non-profit corporation.

   1.3. The SCC&TB shall utilize an accounting system which will comply with generally accepted accounting principles. The SCC&TB shall establish and maintain a line item budget that identifies expenditures from all funding sources.

   1.4. The City hereby designates the City Manager or his/her designee as the City's representative and Contract Administrator. The Contract Administrator shall work with the SCC&TB in coordinating the execution of this Agreement. Any reports and correspondence from the SCC&TB shall be channeled through the Contract Administrator.

2. SCOPE OF VISITOR SERVICES ACTIVITIES
   Required Activities. SCC&TB shall perform the following Activities:

   2.1 Visitor Services. The SCC&TB shall maintain, operate, and staff the Visitor Center and public restrooms at 331 Forest Road in Sedona and provide tourism information to tourists who enter, or potential visitors that call or email for information. The SCC&TB shall:
   - Schedule and monitor all necessary services such as cleaning, computer maintenance, system upgrades, and grounds maintenance
   - Operate no less than 57

hours per week except on weeks that include Thanksgiving and Christmas Day, as the Center will be closed on those two holidays

- Adequately staff, manage and train all volunteers
- Manage and assist all walk-in visitors, phone calls and emails
- Educate visitors about sustainability principles (Leave No Trace, Recreate Responsibly)
- Educate visitors and businesses about the Sedona Shuttle and Verde Shuttle
- Communicate knowledge of all area trails, forest service, ways to experience Sedona, local businesses such as art galleries, restaurants and stores
- Share Sedona news, road closures, weather conditions and other timely information
- Showcase businesses through rack cards without restriction to membership
- Provide space for advertising at 4 locations without restriction to membership
- Provide referrals to all businesses without restriction to membership
- Manage retail inventory and Red Rock Passes
- Oversee, maintain, and organize all collateral materials including storage and delivery systems
- Not include repairs of the Visitor Center.

2.2 SCC&TB Shared Funding Requirement. SCC&TB shall be responsible for paying 20% of the expenditures required for the visitor services described in Section 2.1 and in accordance with the budget included as Exhibit A, and incorporated by this reference, and the City shall be responsible for paying the remaining 80% of expenditures required for the visitor services described in Section 2.1 and in accordance with the budget included as Exhibit A.

2.3 Performance Metrics. SCC&TB shall report quarterly on the performance of the Visitor Center including the following metrics, and all other mutually agreed to metrics, which will be used as indicators of the effectiveness of programs and activities. Metrics should be tracked and reported by month to assess seasonal changes and influences:

- Number of visitors assisted in-person at the visitor center
- Number of visitors assisted electronically or telephonically
- Visitor service satisfaction measured by survey at the Visitor Center, and/or electronically.

2.4 Annual Audit and Financial Review. The SCC&TB and City shall comply with the CPA Agreed Upon Procedures attached hereto as **Exhibit B**.

3. PAYMENT OF FUNDING

City Funding. City's payment of the visitor services funds shall be subject to the following: Subject to Section 2.2, the total amount of visitor services funds that City shall provide under this Agreement shall not exceed **$341,228.00** and shall be paid monthly based on the prior month's expenditures. SCC&TB shall provide monthly invoices with accompanying documentation of expenses no later than 30 days after month end for expenses incurred in that prior month and the City shall reimburse for 80% of the allowed itemized expenses provided on the monthly invoice. Payment of invoices shall be made within 30 days of receipt.

4. HOLD HARMLESS AND INSURANCE PROVISIONS

4.1. The SCC&TB agrees to defend and save harmless the City, its Mayor and Council, appointed boards and commissions, officials, officers, employees and insurance carriers, individually and collectively from all losses, claims, suits, demands, expenses, subrogation's, attorney's fees or actions of any kind and nature resulting from personal injury to any person (including bodily injury and death) or damages to any property, arising or alleged to have arisen out of either (1) the SCC&TB' s performance of the terms of this contract, or (2) any of the SCC&TB' s acts or omissions.

4.2. The SCC&TB agrees to procure and maintain in force during the term of this Agreement, at its own cost, the following coverages as requested by City, either in the initial bid, or prior to commencement of particular tasks. The SCC&TB shall submit to City before any work is performed, certificates from the SCC&TB's insurance carriers indicating the presence of coverages and limits of liability as follows:

4.2.1. **Worker's Compensation Insurance:**

Coverage A: Statutory benefits as required by the Labor Code of the State of Arizona.

Coverage B: Employer's Liability

Bodily Injury by accident	$1,000,000 each accident
Bodily Injury by disease	$1,000,000 policy limit
Bodily Injury by disease	$1,000,000 each employee

4.2.2. **Commercial General or Business Liability Insurance** (Occurrence Form) with minimum combined single limits of ONE MILLION DOLLARS ($1,000,000.00) each occurrence and TWO MILLION DOLLARS ($2,000,000.00) general aggregate.

4.2.3. **Automobile Liability Insurance** with minimum combined single limits for bodily injury and property damage of not less than ONE MILLION DOLLARS ($1,000,000.00) for any one occurrence, with respect to each of the SCC&TB's owned, hired or non-owned automobiles assigned to or used in performance of the Services. Certificate to reflect coverage for "Any Auto, All Owned, Scheduled, Hired or Non-Owned."

4.2.4. All policies shall provide primary coverage and waivers of subrogation by endorsement or otherwise. A waiver of subrogation shall be effective as to any person or entity even though that person or entity would otherwise have a duty of indemnification, contractual or otherwise, did not pay for the insurance premium directly or indirectly and whether or not the person or entity had an insurable interest in the property damaged.

4.2.5. The following policies shall include Additional Insured endorsements: Automobile Liability Insurance and Commercial General Liability.

5. TERM; TERMINATION

5.1. The term of this Agreement is from July 1, 2024 to June 30, 2025, subject to early termination as described below. Either party may terminate this Agreement at its convenience, without cause and without penalty, upon 60 days written notice to the other party. In the event of such early termination, the reimbursement provisions of Paragraph 5.2 shall apply.

5.2. If a party defaults in the performance of any of the covenants, agreements, terms or

conditions of this Agreement and such default is not cured within 30 days after notice of such default is given by the non-defaulting party, or such longer period as may be necessary provided the defaulting party has commenced curing within such 30 days and diligently pursues such curing to completion, the non-defaulting party shall have the right, at its option, to immediately terminate this Agreement, whereupon it shall have no further obligation or liability under this Agreement, or to seek full and adequate relief by injunction or other legal and equitable remedies (or all of the above). In the event of early termination of the city's contract with the SCC&TB, the city will reimburse the SCC&TB for all SCC&TB prepayments of contracted items, if any, and the SCC&TB will turn those items over to the city's representative.

6. MISCELLANEOUS

6.1. The SCC&TB agrees to comply with all Federal, State, and City laws or regulations applicable to the SCC&TB's business or services or to the performance of these services. SCC&TB shall spend transient bed tax revenue provided by the City solely on the operation of the Visitor Center in compliance with this Agreement.

6.2. Should a court of competent jurisdiction or any administrative agency with oversight authority determine that any part of this Agreement is contrary to established Federal, State and City laws applicable to the respective responsibilities of the Parties as described herein, this Agreement, and any part thereto that is in conflict with said laws, shall be modified upon mutual agreement of the Parties in order to bring the Agreement into full legal compliance.

6.3. The parties agree that the SCC&TB provides specialized services and enters this contract with the City of Sedona as an independent contractor. Nothing in this contract shall be construed to constitute the SCC&TB, nor any of its personnel, volunteers, or directors, as agents, employees, or representative of the City. As an independent contractor, the SCC&TB is solely responsible for all labor and expenses in connection with this agreement and for any and all damages that may arise during the operation of this agreement.

6.4. Governing Law; Venue; Waiver of Jury Trial: This Agreement shall be governed by and enforced using the laws of the State of Arizona. The parties agree that any judicial action brought to enforce the terms or conditions of this Agreement shall be brought in a court of competent jurisdiction in Yavapai County, Arizona. Both parties hereby waive any right to a jury trial which they may otherwise have in the event of litigation arising out of this Agreement or the subject matter thereof and consent to a trial to the court.

7. SUPERSEDES PREVIOUS AGREEMENTS. This Agreement supersedes all prior agreements and understandings, oral, written and implied, between the parties hereto with respect to the subject matter hereof.

[SIGNATURES ON THE FOLLOWING PAGE]

IN WITNESS WHEREOF, the parties have entered into this Agreement as of the date first given above.

Sedona Chamber of Commerce & Tourism Bureau, Inc., an Arizona non-profit corporation

By: _____ 7-11-2024

Its: Chairman of the Board

By: _____

Its: President & CEO

CITY OF SEDONA,
An Arizona municipal corporation

By: _____
Scott M. Jablow, Mayor

ATTEST:

_____
JoAnne Cook, City Clerk

APPROVED AS TO FORM:

_____
Kurt W. Christianson, City Attorney

Exhibit A: SCC&TB Forest Road Visitor Center FY25 Budget

FY25 Proposed Visitor Center Budget

	Category	Description	FY24 Budget	FY24 Projection	FY25 Budget
1	Employee & Volunteer	Salary, wages, benefits, volunteer & staff recognition	304,500	230,200	249,300
2	Public Restrooms	Maintenance [redacted] supplies, utilities	45,000	28,600	30,200
3	Visitor Center Occupancy	Bldg & grounds maintenance [redacted] utilities, copier, storage, real estate tax, insurance	46,500	35,300	34,200
4	Collateral	11X17 counter maps	24,000	8,500	15,000
5	Other	Computer & IT, supplies, phone, data lines, internet	31,000	17,200	16,700
6	Mortgage Interest Allocation		10,000	10,600	
7	Building Value Allocation (25%)	February 2024 appraisal			25,500
8	Total Expense		461,000	330,400	370,900
9	City Funding = Total expense plus 15% management fee, allocated 80/20 City/Chamber		424,120	303,968	341,228

Exhibit B CPA AGREED UPON PROCEDURES

Review Visitor Center FYE 6/30/24 and 6/20/25 Invoices to City of Sedona

Purpose

The Chamber operates the Visitor Center pursuant to an operating and funding agreement with the City of Sedona. Per the agreement, the Chamber submits monthly invoices to the City for funding. The purpose of the CPA agreed upon procedures is to determine that the monthly invoices comply with the operating and funding agreement.

Agreed Upon Procedures

1) Obtain the Visitor Services Agreement and obtain an understanding of the terms related to submitting monthly invoices to the City of Sedona
2) Review Chamber's "Invoicing City of Sedona for Visitor Center Services Process" document
3) Obtain a summary of the twelve monthly invoices submitted to the City of Sedona and agree amounts to the monthly invoices and related supporting schedules
4) Obtain the monthly supporting worksheets for Salaries and Benefits and:
    i) Review personnel files to verify that the employees included on the City of Sedona invoices work at the visitor center
    ii) Select one monthly worksheet and:
        (1) Compare the salary, wages, payroll tax, and retirement benefit amounts to the payroll registers
        (2) Compare the employee group insurance costs to the related billing statements
5) Select one monthly supporting worksheets for other expenditures and compare the amounts to the supporting invoices, statements, or expense reports
6) Obtain the invoices supporting the expenditures for counter maps (collateral) and compare the amounts to the amount included on the City of Sedona invoices
7) Obtain the real estate tax bills for the visitor center and compare the amounts to the amounts included on the City of Sedona invoices
8) Obtain Chamber allocation methodology documentation for expenses allocated between the chamber and visitor center operations and determine that the amounts invoiced for the month selected in item 5 are consistent with the allocation documentation
9) Prepare a report summarizing the results of the agreed upon procedures

SEDONA VISITOR CENTER

Research



Prepared by:

Front Burner Media LLC
www.frontburnermedia.com

INDUSTRY INPUT

Destination Think has regular input and feedback on the visitor center decision. Criteria they've published revolves around:

- What are the objectives of the DMO? Responsible visitation is a common theme in the strategic planning for Sedona. Can responsible visitation be successfully encouraged and behaviors modified if a center isn't available to provide tips and direction?
- Based on the identity of the brand and destination, can people build an experience that matches the need of the destination without a visitor center? If a visitor center is in place, how does it help shape the identity and brand of Sedona?
- What are the needs of the visitor? Does a visitor center provide what they need? Restrooms, maps, tips, ideas, parking information, etc.
- Can they visit without a human touch from a visitor center?

Destination Think: Do your visitors still need a visitor center?

Destinations International Visitor Services Summit in 2023 summarized the future of visitor centers:

- Centers need to be accessible, may mean moving to different areas
- Embrace technology and mobile services
- Leverage 24/7 technology (chat rooms, call centers, and training industry staff to have the answers at hotels, restaurants, and point them to one online location for answers)
- Digital signage and QR codes.

By embracing technology, fostering partnerships, and delivering consistent branding, visitor centers can remain relevant and continue to offer valuable services in the modern landscape. Next Visitor Services Summit, July 16, Tampa FL.

POPULAR COLORADO DESTINATION

Visitor Center

This Colorado Tourism Board executive director, Ms. S., answered questions and asked that their destination be kept off the record in the public discussions.





Budget

$350,000 annually includes center and central reservations.

They do not own the building and pay rent out of this budget amount.

The Tourism Board has 7 full-time staff members, three are full time at the visitor center. During the summer they have an additional part time staff member at the center.

Funding

2% lodging tax. Tax is sent to 3 separate communities, then each destination sends the Tourism Board an agreed upon amount from each destination. They used to receive the funding directly, but switched to this investment model a couple of years ago.

Visitors: Approximately 625,000 visitors annually. Calculated by consumer analytics.

SANTA FE, NM

Visitor Center

Randall Randy, executive director of Tourism Santa Fe, provided his input regarding visitor centers, “We feel visitor centers are very important for the uses. Percentage is relatively low of the total visitation, however very high for first time visitors. I’m not sure how Sedona is spending so much on one center.”





Budget

$391,000 annually includes Plaza Visitor Center, and staffing at the Railyard, Convention Center, and Water Street locations. An additional $50,000 is spent on lease space for the Plaza location and misc. operating expenses.

The budget supports 7 information specialists and one supervisor. Because these 7 employees are union workers, there are no volunteers.

Funding

Lodging tax and some earned revenue from the Tourism Santa Fe website, visitor guide advertising, and use fees at the convention center. They are not a membership based structure, but an extension of Santa Fe.

The Convention Center and Railyard spaces have been in operation for 12 years, the Plaza for 8, and the Water Street location was added last year.

Visitors: Approximately 3 million annually visit the destination. 120,000 visitors annually are served at all of their locations combined. Santa Fe sees repeat visitation of 70%. They feel their visitation is highest amongst first time visitors and their data reflects that.

FLAGSTAFF, AZ

Visitor Center

Flagstaff operates Discover Flagstaff as the destination marketing organization for the City of Flagstaff.





Budget

$670,000 annually includes 6.15 personnel, and the Amtrak Train Station operations. They also operate a snow play hotline seasonally.

They sell an estimated $364,000 in retail in the center annually.

Funding

Discover Flagstaff is charged with administering tourism programs for the City of Flagstaff and receives an allocation of 30 percent of the BBB tax collected.

Visitors: Approximately 5 million annually visit the destination. 125,000 visitors were served at the Center in the last fiscal year.

WILLIAMS, AZ

Visitor Center

The Williams Visitor Center is operated by the City of Williams. The Chamber of Commerce used to exist in Williams and staffed the center, rented the building, and handled destination marketing. The city ended the agreement nearly 8 years ago and the Chamber of Commerce closed its doors 3 months later.





Budget

$368,000 annually includes 3 full-time and 4 part-time employees.

They sell an estimated $137,000 in retail in the center annually.

The city owns the historic building they use for the center.

Funding

The City of Williams invests a portion of the BBB tax for the center and destination marketing each year. They recently voted to increase the lodging tax from 4.5% to 5.5% beginning April 1, to invest in infrastructure for the destination.

Visitors: Approximately 1.5 million annually visit the destination. 100,000 visitors served at the center in 2022, decreased visitation to nearly 80,000 last calendar year.

COTTONWOOD, AZ

Visitor Center

The Cottonwood Chamber of Commerce had been the official DMO until a change was made 4 years ago. Funding at a level of $280,000 was switched to a creation of a DMO for the City of Cottonwood and an investment for the visitor centers for the Chamber of Commerce.





Budget

$95,000 annually to help with expenses at the 2 visitor centers. The Chamber of Commerce has 3 full time employees, and approximately 15 volunteers.

Funding

The City of Cottonwood leases the Old Town space to the Chamber for $1 per year. The funds to help with the maintenance of the centers comes from the bed tax.

The City of Cottonwood invests approximately $480,000 in destination marketing each year, aside from the $95,000 investment for the visitor centers.

Visitors: Approximately 1-1.75 million annually visit the destination. 10,000 visitors were served at the centers in the last calendar year.

TUCSON, AZ

Visitor Center

Pima County Attractions & Tourism partners with Visit Tucson to operate the Center. Ms. Vanessa Cabrera, VP of strategic initiatives shared that they help with staffing and Pima County runs and owns the gift shop.





Budget

$1,291,557 annually, with 5 full-time, 8 part-time team members and 40+ volunteers. 2022 was the first year of operation in the space.

Funding

Generated from bed tax from Pima County. Visit Tucson assists with 2 full time employees, and the county covers the rest. Catherine Campbell is the deputy director of Pima County Attractions and Tourism.

Visitors: Approximately 4.9 million annually visit Tucson. 33,000 visitors were served at the center during its first year of operation in 2022.

	Visitor Center Operating Budgets					
		FY June 2025 Budget	FYTD 12/31/24 Actual	FY June 2026 Budget	FY June 2027 Budget	Comment
1	Bldg Maintenance	41,000	21,196	43,000	45,000	≈ 5% increase each year
2	Commercial Package Insurance	2,900	1,348	2,900	2,900	
3	Market Rent 25%	25,500	12,750	25,500	25,500	
4	Real Estate Tax	3,100	1,504	3,150	3,300	≈ 5% increase each year
5	Storage & Handling	2,500	1,224	2,500	2,500	
6	Utilities	13,900	6,888	15,000	15,500	AZ Water 35% increase 1/1/26
7	Furniture & Equipment	1,000	0	1,000	1,000	
8	Computer & IT	6,000	2,704	6,000	6,000	
9	AOT Dues	100	100	100	100	
10	Human Resources	1,000	370	750	750	
11	Staff Development	3,000	1,730	3,000	3,000	
12	Volunteer Recognition & Devel	12,000	4,882	11,000	11,000	
13	Supplies	6,000	1,399	5,000	5,000	
14	Telephone/ Internet	3,600	1,725	3,600	3,600	
15	Workers' Comp & Volunteer Policies	700	206	700	700	
16	Salary	53,000	26,385	57,000	60,000	≈ 5% increase each year
17	Wages	152,000	72,780	158,000	166,000	≈ 5% increase each year
18	Payroll Taxes	16,000	8,218	16,500	17,300	Increase tied to salary & wages
19	SIMPLE IRA Contributions	3,500	1,764	3,600	3,800	Increase tied to salary & wages
20	Group Insurance	9,100	3,879	9,200	9,900	FY27 ≈ 8% increase
21	Counter Maps	15,000	0	14,500	7,250	Have been purchasing 75,000 quantites, some years require two purchases
22	Accounting (CPA)	0	1,200	0	0	Nonbudgeted item, prior city manager approved CPA agreed upon procedures services
23	Subtotal	370,900	172,252	382,000	390,100	
24	15% Admin Charge	55,635	25,838	57,300	58,515	
25	Total bed tax funded expenses	426,535	198,090	439,300	448,615	
26	City of Sedona 80% Portion	341,228	158,472	351,440	358,892	

VISITOR SERVICES AGREEMENT

THIS VISITOR SERVICES AGREEMENT ("Agreement") is entered into by and between the Sedona Chamber of Commerce, Inc., an Arizona nonprofit corporation, DBA Sedona Chamber of Commerce & Tourism Bureau ("SCC&TB") and the City of Sedona, an Arizona municipal corporation ("City"), this _____ day of _____, 2025 to be effective on July 1, 2025.

RECITALS

WHEREAS, the SCC&TB will manage and administer the Visitor Center located at 331 Forest Rd, Sedona, AZ 86336, designed to educate and manage visitors for the benefit of the residents of the City and thereby contributing to the healthy Sedona economy and the City in general; and

WHEREAS, the City and SCC&TB desire to continue their longstanding partnership in operating the Visitor Center.

AGREEMENT

NOW, THEREFORE, in consideration of the foregoing, the City and the SCC&TB do mutually agree as follows:

1. ADMINISTRATION

   1.1. In carrying out the terms of this agreement, the SCC&TB agrees to continue to follow all of its bylaws which are also incorporated, by reference, into this agreement.

   1.2. The SCC&TB shall continue to operate as a 501(c)(6) non-profit corporation.

   1.3. The SCC&TB shall utilize an accounting system which will comply with generally accepted accounting principles. The SCC&TB shall establish and maintain a line item budget that identifies expenditures from all funding sources.

   1.4. The City hereby designates the City Manager or his/her designee as the City's representative and Contract Administrator. The Contract Administrator shall work with the SCC&TB in coordinating the execution of this Agreement. Any reports and correspondence from the SCC&TB shall be channeled through the Contract Administrator.

2. SCOPE OF VISITOR SERVICES ACTIVITIES
   Required Activities. SCC&TB shall perform the following Activities:

   2.1 Visitor Services. The SCC&TB shall maintain, operate, and staff the Visitor Center and public restrooms at 331 Forest Road in Sedona and provide tourism information to tourists who enter, or potential visitors that call or email for information. The SCC&TB shall:
   - Schedule and monitor all necessary services such as cleaning, computer maintenance, system upgrades, and grounds maintenance
   - Operate no less than 57 hours per week except on weeks that include Thanksgiving and

Christmas Day, as the Center will be closed on those two holidays. In the event of unforeseen circumstances beyond the control of GSCC&TB, including but not limited to extreme weather, power outages, wildfires or public health emergencies declared by the City or the State, GSCC&TB may temporarily adjust operating hours. GSCC&TB shall notify the City within 24 hours of any unscheduled closure that would impact the 57 hour weekly minimum, and any closure beyond 48 hours will require City approval.

- Adequately staff, manage and train all volunteers
- Manage and assist all walk-in visitors, phone calls and emails
- Educate visitors about sustainability principles (Leave No Trace, Recreate Responsibly)
- Educate visitors and businesses about the Sedona Shuttle and Verde Shuttle
- Communicate knowledge of all area trails, forest service, ways to experience Sedona, local businesses such as art galleries, restaurants and stores
- Share Sedona news, road closures, weather conditions and other timely information
- Showcase businesses through rack cards without restriction to membership
- Provide space for advertising at 4 locations without restriction to membership
- Provide referrals to all businesses without restriction to membership
- Manage retail inventory and Red Rock Passes
- Oversee, maintain, and organize all collateral materials including storage and delivery systems
- Not include the cost of repairs of the Visitor Center in this Agreement.

2.2 SCC&TB Shared Funding Requirement. SCC&TB shall be responsible for paying 20% of the expenditures required for the visitor services described in Section 2.1 and in accordance with the budget included as **Exhibit A**, and incorporated by this reference, and the City shall be responsible for paying the remaining 80% of expenditures required for the visitor services described in Section 2.1 and in accordance with the budget included as Exhibit A.

2.3 Performance Metrics. SCC&TB shall report quarterly on the performance of the Visitor Center including the following metrics, and all other mutually agreed to metrics, which will be used as indicators of the effectiveness of programs and activities. Metrics should be tracked and reported by month to assess seasonal changes and influences:

- Number of visitors assisted in-person at the visitor center
- Number of visitors assisted electronically or telephonically
- Visitor service satisfaction measured by survey at the Visitor Center, and/or electronically.

2.4 Annual Audit and Financial Review. The SCC&TB and City shall comply with the CPA Agreed Upon Procedures attached hereto as **Exhibit B**.

3. PAYMENT OF FUNDING

City Funding. City's payment of the visitor services funds shall be subject to the following: Subject to Section 2.2, the total amount of visitor services funds that City shall provide under this Agreement shall not exceed **$351,440.00** for the Fiscal Year beginning July 1, 2025 and ending on June 30, 2026. If the City exercises the option to renew for the following Fiscal Year, the cost shall not exceed **$358,892.00** for July 1, 2026 through June 30, 2027. The total amount of visitor services funds provided by the City under

this Agreement shall not exceed **$710,332.00**. The City funds shall be paid monthly based on the prior month's expenditures. SCC&TB shall provide monthly invoices with accompanying documentation of expenses no later than 30 days after month end for expenses incurred in that prior month and the City shall reimburse for 80% of the allowed itemized expenses provided on the monthly invoice. Payment of invoices shall be made within 30 days of receipt.

4. HOLD HARMLESS AND INSURANCE PROVISIONS

4.1. The SCC&TB agrees to defend and save harmless the City, its Mayor and Council, appointed boards and commissions, officials, officers, employees and insurance carriers, individually and collectively from all losses, claims, suits, demands, expenses, subrogation's, attorney's fees or actions of any kind and nature resulting from personal injury to any person (including bodily injury and death) or damages to any property, arising or alleged to have arisen out of either (1) the SCC&TB' s performance of the terms of this contract, or (2) any of the SCC&TB' s acts or omissions.

4.2. The SCC&TB agrees to procure and maintain in force during the term of this Agreement, at its own cost, the following coverages as requested by City, either in the initial bid, or prior to commencement of particular tasks. The SCC&TB shall submit to City before any work is performed, certificates from the SCC&TB's insurance carriers indicating the presence of coverages and limits of liability as follows:

4.2.1. **Worker's Compensation Insurance**:

Coverage A: Statutory benefits as required by the Labor Code of the State of Arizona.

Coverage B: Employer's Liability

Bodily Injury by accident	$1,000,000 each accident
Bodily Injury by disease	$1,000,000 policy limit
Bodily Injury by disease	$1,000,000 each employee

4.2.2. **Commercial General or Business Liability Insurance** (Occurrence Form) with minimum combined single limits of ONE MILLION DOLLARS ($1,000,000.00) each occurrence and TWO MILLION DOLLARS ($2,000,000.00) general aggregate.

4.2.3. **Automobile Liability Insurance** with minimum combined single limits for bodily injury and property damage of not less than ONE MILLION DOLLARS ($1,000,000.00) for any one occurrence, with respect to each of the SCC&TB's owned, hired or non-owned automobiles assigned to or used in performance of the Services. Certificate to reflect coverage for "Any Auto, All Owned, Scheduled, Hired or Non-Owned."

4.2.4. All policies shall provide primary coverage and waivers of subrogation by endorsement or otherwise. A waiver of subrogation shall be effective as to any person or entity even though that person or entity would otherwise have a duty of indemnification, contractual or otherwise, did not pay for the insurance premium directly or indirectly and whether or not the person or entity had an insurable interest in the property damaged.

4.2.5. The following policies shall include Additional Insured endorsements: Automobile Liability Insurance and Commercial General Liability.

5. TERM; TERMINATION

5.1. The initial term of this Agreement is from July 1, 2025 to June 30, 2026, with one optional renewal to be exercised at the City's sole discretion for a renewal term of July 1, 2026 to June 30, 2027. The City shall notify SCC&TB no later than 60 days prior to the expiration of the initial term regarding whether the City will exercise the one-year renewal option. Either party may terminate this Agreement at its convenience, without cause and without penalty, upon 60 days written notice to the other party. In the event of such early termination, the reimbursement provisions of Paragraph 5.2 shall apply.

5.2. If a party defaults in the performance of any of the covenants, agreements, terms or conditions of this Agreement and such default is not cured within 30 days after notice of such default is given by the non-defaulting party, or such longer period as may be necessary provided the defaulting party has commenced curing within such 30 days and diligently pursues such curing to completion, the non-defaulting party shall have the right, at its option, to immediately terminate this Agreement, whereupon it shall have no further obligation or liability under this Agreement, or to seek full and adequate relief by injunction or other legal and equitable remedies (or all of the above). In the event of early termination of the city's contract with the SCC&TB, the city will reimburse the SCC&TB for all SCC&TB prepayments of contracted items, if any, and the SCC&TB will turn those items over to the city's representative.

6. MISCELLANEOUS

6.1. The SCC&TB agrees to comply with all Federal, State, and City laws or regulations applicable to the SCC&TB's business or services or to the performance of these services. SCC&TB shall spend transient bed tax revenue provided by the City solely on the operation of the Visitor Center in compliance with this Agreement.

6.2. LEGAL WORKER REQUIREMENTS. The CITY is prohibited by A.R.S. § 41-4401 from awarding a contract to any entity who fails, or whose subcontractors fail, to comply with A.R.S. § 23-214(A). Therefore, SCC&TB agrees that: i. SCC&TB and each subcontractor/subconsultant it uses warrants their compliance with all federal immigration laws and regulations that relate to their employees and their compliance with A.R.S. § 23-214, subsection A. ii. A breach of a warranty under paragraph i will be deemed a material breach of the Agreement and is subject to penalties up to and including termination of the Agreement. iii. The CITY retains the legal right to inspect the papers of any SCC&TB or subcontractor/subconsultant employee who works on the Agreement to ensure that SCC&TB or any subcontractor/subconsutant is complying with the warranty under paragraph i.

6.3. NO BOYCOTT OF ISRAEL. SCC&TB certifies and agrees it is not currently engaged in and for the duration of the Agreement will not engage in a boycott of Israel, as that term is defined in A.R.S. §35-393.

6.4. CONFLICT OF INTEREST. The parties hereto acknowledge that this Agreement is subject to cancellation pursuant to the provisions of ARS § 38-511.

6.5. Should a court of competent jurisdiction or any administrative agency with oversight authority determine that any part of this Agreement is contrary to established Federal, State and City laws applicable to the respective responsibilities of the Parties as described herein, this Agreement, and any part thereto that is in conflict with said laws, shall be modified upon mutual agreement of the Parties in order to bring the Agreement into full legal compliance.

6.6. The parties agree that the SCC&TB provides specialized services and enters this contract with the City of Sedona as an independent contractor. Nothing in this contract shall be construed to constitute the SCC&TB, nor any of its personnel, volunteers, or directors, as agents, employees, or representative of the City. As an independent contractor, the SCC&TB is solely responsible for all labor and expenses in connection with this agreement and for any and all damages that may arise during the operation of this agreement.

6.7. Governing Law; Venue; Waiver of Jury Trial: This Agreement shall be governed by and enforced using the laws of the State of Arizona. The parties agree that any judicial action brought to enforce the terms or conditions of this Agreement shall be brought in a court of competent jurisdiction in Yavapai County, Arizona. Both parties hereby waive any right to a jury trial which they may otherwise have in the event of litigation arising out of this Agreement or the subject matter thereof and consent to a trial to the court.

7. SUPERSEDES PREVIOUS AGREEMENTS. This Agreement supersedes all prior agreements and understandings, oral, written and implied, between the parties hereto with respect to the subject matter hereof.

[SIGNATURES ON THE FOLLOWING PAGE]

IN WITNESS WHEREOF, the parties have entered into this Agreement as of the date first given above.

Sedona Chamber of Commerce & Tourism Bureau, Inc., an Arizona non-profit corporation

By: _____

Its: Chairman of the Board

By: _____

Its: President & CEO

CITY OF SEDONA,
An Arizona municipal corporation

By: _____
Scott M. Jablow, Mayor

ATTEST:

_____
JoAnne Cook, City Clerk

APPROVED AS TO FORM:

_____
Kurt W. Christianson, City Attorney

Exhibit A Visitor Center FY26 and FY27 Budget

	Visitor Center Operating Budgets		
		FY June 2026 Budget	FY June 2027 Budget
1	Bldg Maintenance	43,000	45,000
2	Commercial Package Insurance	2,900	2,900
3	Market Rent 25%	25,500	25,500
4	Real Estate Tax	3,150	3,300
5	Storage & Handling	2,500	2,500
6	Utilities	15,000	15,500
7	Furniture & Equipment	1,000	1,000
8	Computer & IT	6,000	6,000
9	AOT Dues	100	100
10	Human Resources	750	750
11	Staff Development	3,000	3,000
12	Volunteer Recognition & Devel	11,000	11,000
13	Supplies	5,000	5,000
14	Telephone/ Internet	3,600	3,600
15	Workers' Comp & Volunteer Policies	700	700
16	Salary	57,000	60,000
17	Wages	158,000	166,000
18	Payroll Taxes	16,500	17,300
19	SIMPLE IRA Contributions	3,600	3,800
20	Group Insurance	9,200	9,900
21	Counter Maps	14,500	7,250
22	Subtotal	382,000	390,100
23	15% Admin Charge	57,300	58,515
24	Total bed tax funded expenses	439,300	448,615
25	City of Sedona 80% Portion	351,440	358,892

Exhibit B

CPA AGREED UPON PROCEDURES

Purpose

The Chamber operates the Visitor Center pursuant to an operating and funding agreement with the City of Sedona. Per the agreement, the Chamber submits monthly invoices to the City for funding. The purpose of the CPA agreed upon procedures is to determine that the monthly invoices comply with the operating and funding agreement.

Agreed Upon Procedures

1) Obtain the Visitor Services Agreement and obtain an understanding of the terms related to submitting monthly invoices to the City of Sedona
2) Review Chamber's "Invoicing City of Sedona for Visitor Center Services Process" document
3) Obtain a summary of the twelve monthly invoices submitted to the City of Sedona and agree amounts to the monthly invoices and related supporting schedules
4) Obtain the monthly supporting worksheets for Salaries and Benefits and:
    i) Review personnel files to verify that the employees included on the City of Sedona invoices work at the visitor center
    ii) Select one monthly worksheet and:
        (1) Compare the salary, wages, payroll tax, and retirement benefit amounts to the payroll registers
        (2) Compare the employee group insurance costs to the related billing statements
5) Select one monthly supporting worksheets for other expenditures and compare the amounts to the supporting invoices, statements, or expense reports
6) Obtain the invoices supporting the expenditures for counter maps (collateral) and compare the amounts to the amount included on the City of Sedona invoices
7) Obtain the real estate tax bills for the visitor center and compare the amounts to the amounts included on the City of Sedona invoices
8) Obtain Chamber allocation methodology documentation for expenses allocated between the chamber and visitor center operations and determine that the amounts invoiced for the month selected in item 5 are consistent with the allocation documentation
9) Prepare a report summarizing the results of the agreed upon procedures

CITY COUNCIL AGENDA BILL

AB 3148
March 11, 2025
Regular Business

Agenda Item: 8b
Proposed Action & Subject: Discussion/possible action regarding approval of an award of 25-12RFP to HS Development Partners, LLC for a 9% LIHTC Multifamily Housing development at 2411 W. State Route 89A, and approval of a Lease Option Agreement, contingent upon receiving a 9% LIHTC award and successfully negotiating a Lease Agreement with the City.

Department	CD/ Housing - Jeanne Blum
Time to Present	15 min
Total Time for Item	30 min
Other Council Meetings	N/A
Exhibits	A. Developer Proposal B. Lease Option Agreement C. 25-12 RFP LIHTC Development & Management

Finance Approval	Reviewed 2/25/25 BGW
City Attorney Approval	Reviewed 2/25/25 KWC
City Manager's Recommendation	Recommend approval ABS 02/28/25

Expenditure Required	
$	100,000
Amount Budgeted	
$	1,093,488
Account No. (Description)	22-5340-89-68K2 Affordable Housing Projects

SUMMARY STATEMENT

Background/History: The Sedona Housing Needs Assessment and Action Plan of 2020 and the Verde Valley Housing Needs Assessment of 2021 both identified a shortage of traditional apartments as a major contributor to the lack of affordable housing for low- and moderate-income households.

"The inventory of traditional apartment units in the Verde Valley is very low. Across Arizona, these units account for nearly 16% of all housing units. In the Verde Valley, they only total 6.2% of total units. In most communities the percentage is even lower . . . 4.7% in Sedona."

Overall, the studies found a shortage of affordable housing units of any type to be at least 1300 units in Sedona and nearly 3700 units across the Verde Valley by 2026.

The Assessments also found that at least 43% of Sedona households were housing cost burdened, defined as paying more than 30% of their household income towards housing.

The City is in the process of acquiring the property at 2411 West State Route 89A for the purpose of developing affordable/workforce housing and to replace the property sold to the Sedona Fire District at 401 Jordan Rd. As of the date of the submittal of this Agenda Bill item, as per the Land Acquisition Purchase and Sale Agreement, a Close of Escrow date was agreed upon for no later than February 28, 2025, and was completed on February 27, 2025. All due diligence activities and reports related to this land acquisition have been completed, have been reviewed by staff and have passed inspection. The parcel was identified for affordable housing development due to the walkability and proximity to transportation and other amenities like supermarkets, urgent care and health care facilities, parks and recreational trails. A preliminary analysis indicated the site could support up to a 50-unit apartment complex.

The parcel, located in the West Sedona Commercial Corridor, is part of the not-yet-completed West Sedona Community Focus Area which calls for identifying transitional areas for multifamily residential opportunities to transform the area into a livable, walkable destination. The project addresses the Community Plan Guiding Principle of strengthening community livability and connections by creating diverse housing opportunities.

- *There is an increase in housing options of all types, sizes, and cost.*
- *More diverse housing options attract more young people, families, and professionals to become a vital part of our community life.*
- *Diverse housing options exist for all types of residents (e.g., business owners, retirees, families, essential workers).*

This parcel also conforms with the Future Land Use Map guidelines that allow for multifamily housing in this location.

The Project: In preparation for a competitive 9% Low Income Housing Tax Credit (LIHTC) project submission in this year's competitive LIHTC funding cycle with a submittal deadline of April 1, 2025, staff determined that a Request for Proposals (RFP) No. 25-12, 9% LIHTC Development and Management on the 2411 W. State Route 89A site, be released in January 2025. (See Exhibit C).

The RFP asked for affordable housing development firms to put together a development proposal based on experience, financing feasibility and leveraging, development quality, management plan feasibility and affordability. The scoring criteria aligns with the scoring criteria used by the state to award LIHTC projects in order to ensure the developer selected by the city will have a highly competitive application to the state. The project requires rents to be affordable at 60% Area Median Income (AMI) or below. The City received three (3) proposals in response to this RFP**.**

An administrative review panel consisting of four city employees with expertise in finance, housing, and planning scored proposals in accordance with the evaluation criteria stated in the RFP.

Proposals were evaluated on the following five (5) criteria, which equated to 100% of the score.

1. LIHTC Experience (40% of score)
2. Proposed Financing Feasibility and Leveraging (25% of score)
3. Development Quality (20% of score)
4. Management Plan (10% of score)
5. Affordability (5% of score)

Below is a summary of each firm's total score.

25-12RFP – LIHTC Development & Management –Scoring Summary

	Total	LIHTC Experience	Proposed Financing Feasibility and Leveraging	Development Quality	Management Plan	Affordability
Supplier	/ 100 pts	/ 40 pts	/ 25 pts	/ 20 pts	/ 10 pts	/ 5 pts
HS Development Partners, LLC	**81.5**	**31**	**20**	**16**	**9.75**	**4.75**
Spire Development, Inc.	76.75	33.25	21.25	10	8.25	4
Volker Development, Inc.	73	30.75	14.75	14.5	8.5	4.5

Recommended Project Overview:

HS Development Partners, LLC was the top scorer. Their proposal is attached as **Exhibit A**. Their proposed project will deliver 36 - 40 Low Income Housing Tax Credit (LIHTC) Units for residents at or below 60% of Area Median Income as required by the 2025 Arizona Department of Housing (ADOH) Qualified Allocation Plan (QAP). The Area Median Income breakdown of units and rents is as follows:

	Unit Count	Rental % AMI	Net Rents
One Bedroom	4	40%	$547
One Bedroom	4	50%	$703
One Bedroom	4	60%	$933
Two Bedroom	4	40%	$747
Two Bedroom	4	50%	$933
Two Bedroom	4	60%	$1,120
Three Bedroom	4	40%	$863
Three Bedroom	4	50%	$1,079
Three Bedroom	4	60%	$1,295
Total Units	**36**		

Of the proposed 36 units, twelve (12) will be one-bedroom units, twelve (12) will be two-bedroom units, and twelve (12) will be three-bedroom units. Each unit will be equipped with its

own washer/dryer unit. The developer is proposing a three-story walk-up design to be located across three (3) buildings, which will necessitate later Council approval of the three-story design in a development agreement. While the proposed QAP unit count, size, and affordability submitted for the 9% LIHTC application will remain the same, the actual architectural design and aesthetics of the buildings is expected to change as the project goes through the planning process and various City review.

The proposed project will utilize a land lease from the City of Sedona, terms to be negotiated by the City pending the approval of a 9% LIHTC award by ADOH. To maximize QAP points for the 9% LIHTC application, HS Development Partners, LLC is requesting a soft loan in the amount of $100,000 from the City of Sedona, meeting the QAP for scoring purposes. LIHTC awards are announced by ADOH on June 2, 2025. Pending the successful award to HS Development Partners, LLC by ADOH, and the securing of the 9% LIHTCs for this project, the remaining financing structure will include a Construction Loan, Permanent Loan (both from independent financing sources) and a Deferred Developer Fee from HS Development Partners, LLC. Firm commitments for this project have been provided with the RFP submission response. The following chart illustrates the financing structure of this project.

		Construction Sources	Total Permanent Sources
Construction Loan		$16,000,000	
Permanent Loan			$1,500,000
Tax Credit Equity	$2,000,000 – LIHTC Allocation (ADOH)	$880,460	$17,198,280
Sedona Soft Loan City Soft Loan	$100,000		
Deferred Developer Fee HS Development			$320,609
Total Development Costs			**$19,118,889**

Budget: The requested $100,000 soft loan from the City will come from the Capital Improvements-Affordable Housing Projects budget. A Land Lease will be negotiated with HS Development Partners, which will generate lease payments to the City to be allocated back into the Affordable Housing Fund.

Award of RFP/Lease Option Agreement: The Housing Department is requesting that Council approve the award of the 25-12 RFP LIHTC Development & Management to HS Development Partners, LLC and approve the Lease Option Agreement as attached in **Exhibit B**.

Climate Action Plan/Sustainability Consistent: ☐**Yes -** ☐**No -** ☒**Not Applicable**

Board/Commission Recommendation: ☐**Applicable -** ☒**Not Applicable**

Alternative(s): Council can choose not to approve this award.

MOTION

I move to: approve award of 25-12 RFP LIHTC Development & Management to HS Development Partners, LLC to develop a 9% LIHTC Multifamily Housing development at 2411 W. State Route 89A and approval of a Lease Option Agreement contingent upon HS Development Partners receiving a 9% LIHTC award and successfully negotiating a Lease Agreement with the City.

Exhibit A

SECTION III - SUBMITTAL FORM

In response to the Request for Proposals, the undersigned respondent hereby states its qualifications to build, finance, and manage affordable workforce housing in strict accordance with the terms of this Request for Proposals and the executed lease for:

LIHTC DEVELOPMENT & MANAGEMENT

Respondent certifies that he/she has examined and is fully familiar with all the provisions of the Request for Proposals and any addendum thereto, and all other Contract Documents; that they are submitting a proposal in strict accordance with the Instructions in this document; and that they have carefully reviewed the accuracy of all attachments to this proposal.

Respondent certifies that they have examined the proposal documents thoroughly, studied and carefully correlated respondent's observations with the proposal documents and all other matters which can in any way affect the work.

Respondent agrees that this proposal constitutes a firm offer to the City which cannot be altered, amended, or withdrawn by the respondent for one hundred eighty (180) calendar days from submittal deadline date. If awarded the RFP, respondent agrees to execute and deliver to the City within thirty (30) calendar days after approval by the Sedona City Council, the executed Lease Option Agreement and by July 2, 2025, the Land Lease and Loan Agreement (including the Promissory Note, Deed of Trust and Permitted Encumbrance form) and the LURA. Additionally, the required Certificates of Insurance and the required Performance and Payment Bonds shall be received by the City prior to commencement of construction.

HS Development Partners, LLC	
Offeror (Entity Name)	Signature
2323 W. 5th Ave, Suite 120	Bonnie J. Demmy
Street & Mailing Address	Print Name of Signator
Columbus, Ohio 43204	Managing Member
City, State and Zip	Title of Signator
937-607-9755	937-607-9755
Telephone No.	Mobile No.
bharbage@hsdevpartners.com	
E-mail Address	Date Signed

If not the same as above, indicate the city and state that your principal place of business is located:

Acknowledgment of Addenda (if any):

Addendum 1 X Date Received 1/23/2025
Addendum 2 _____ Date Received _____
Addendum 3 _____ Date Received _____

HS DEVELOPMENT PARTNERS

January 29, 2025

City of Sedona, Arizona
Ian Coubrough, CPPB
Procurement Officer
106 Roadrunnder Drive
Sedona, AZ 86336

Request for Proposal No. 25-12RFP
LIHTC Development & Management

2411 W. State Route 89A
Sedona, AZ 86336
PIN: 408-24-023A

Dear Mr. Coubrough,

Please accept this Cover Letter and supplemental documents as our response to the 9% Low Income Housing (LIHTC) Development & Management RFP for the development of **36 LIHTC units** on the site located at 2411 W. State Route 89A.

The following will detail our proposal and response for RFP 25-12RFP and we further acknowledge the receipt and review of both Addendum 1 for this RFP Proposal.

Experience

HS Development Partners, LLC: A Woman-Owned Leader in Affordable Housing

HS Development Partners, LLC is a woman-owned business founded in 2019 by Bonnie J. Demmy and Matthew A. Shoemacher. With over 30 years of combined experience, they have successfully developed over 5,571 affordable housing units across new construction and preservation projects, totaling nearly $700 million in financing. Their expertise lies in leveraging various funding sources, primarily the 9% Low-Income Housing Tax Credit (LIHTC) program.

Key Achievements:

- **Proven Track Record:** Secured four 9% LIHTC awards for new construction projects in Kentucky and Arizona within the last 5 years, in addition to a 4% LIHTC/Bond Transaction in Arizona
- **Successful Project Delivery:** Successfully completed a 76-unit 9% LIHTC project in Flagstaff, Arizona, with over $30 million in development costs. This project utilized diverse funding sources,

including City of Flagstaff ARPA funding, Impact Fee Waivers, ADOH National and State Housing Trust Funds, ADOH Forward Allocated Tax Credits, and a LISC Home Matters Grant.

- **Upcoming Projects:** Currently closing a 4% LIHTC/Bond Allocation for "The Villas on Shelby," a 30-unit development in Sedona, Arizona. This project will utilize State Housing Trust Funds and $2.25 million in Soft Funds from the City of Sedona

Key Strengths:

- **Strong Relationships:** Cultivated strong relationships with cities and municipalities, enabling access to crucial funding and support.

- **Proven Expertise:** Extensive experience in mixed-income housing development, including project planning, financing, construction, and lease-up.

- **Community-Focused Approach:** Committed to designing and developing projects that meet local design standards, address community needs, and ensure long-term financial viability.

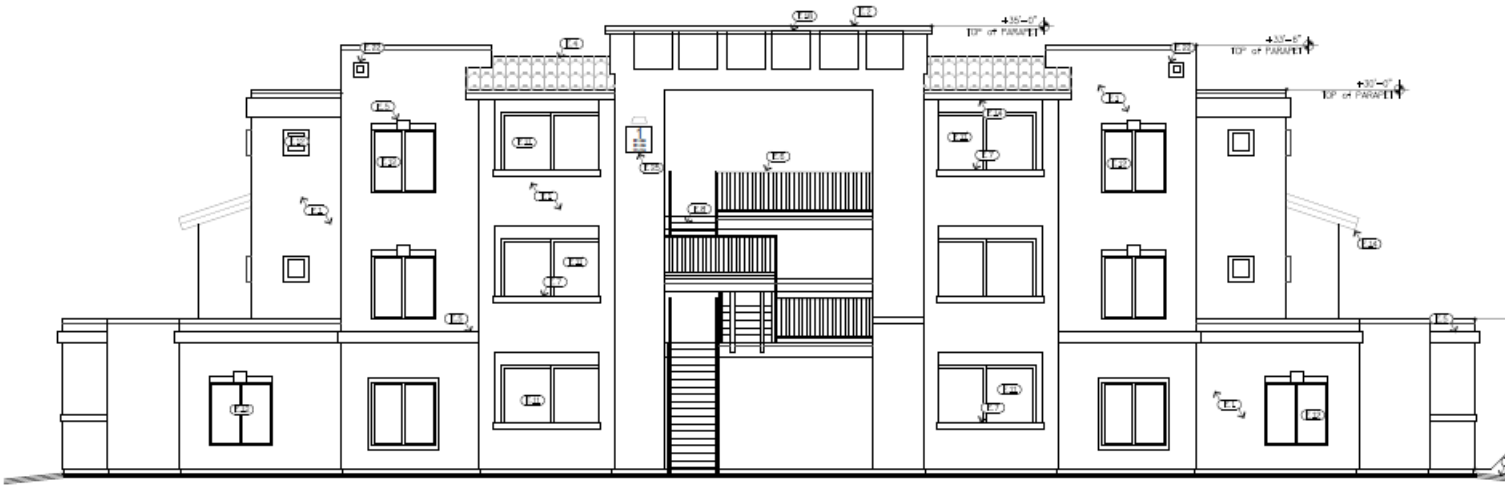
Based on our experience and knowledge of the current QAP and ADOH processes, HS Development Partners, LLC would be submitting this project as a highly competitive application, scoring a 195 total development points in our submission. By partnering with HS Development Partners, and relying on our tax credit expertise, we feel this score is achievable.

Project Proposal: The Flats on Blue Heron

HS Development Partners, LLC is proposing to submit a 9% Low Income Housing Tax Credit application to the Arizona Department of Housing (ADOH) for the development of a 36-unit, affordable housing project with a mix of one-, two- and three-bedroom units to be known as The Flats on Blue Heron. Based on our experience and knowledge of the current QAP and ADOH application process, HS Development Partners, LLC would be submitting The Flats on Blue Heron as a highly competitive application, scoring a 195 total development points in our submission. By partnering with HS Development Partners, and relying on our tax credit expertise, we feel this score is highly achievable. In previous years, a project achieving a score of 195 was awarded tax credits through the 9% Competitive Funding Round (ADOH).

The proposed site consists of 1.8 acres, fronting on Route 89A and Blue Heron Way. HS Development will create housing units to include 12 one-bedroom units, 12 two-bedroom units and 12 three-bedroom units for a total of 36 units. The proposed design and layout will conform to the neighborhood creating an ideal design for this location. Given that the site is small, and it is our intention to maximize housing units, we are proposing a three-story walk-up design to be located across three buildings.

Preliminary architectural unit and floorplans have been provided with this RFP Submission Response



FRONT ELEVATION

Unit Mix	Unit Count
One Bedroom Units	12
Two Bedroom Units	12
Three Bedroom Units	12
Total	**36 Units**

Proposed Rent and Income Limits

The proposed Flats on Blue Heron will deliver 36 Low Income Housing Tax Credit Units for residents at 50% of the Area Median Income and Below, as required by the 2025 ADOH Qualified Allocation Plan. The rent limits are proposed as follows:

	Unit Count	Rental % AMI	Net Rents
One Bedroom	4	40%	$547
One Bedroom	4	50%	$703
One Bedroom	4	60%	$933
Two Bedroom	4	40%	$747
Two Bedroom	4	50%	$933
Two Bedroom	4	60%	$1,120
Three Bedroom	4	40%	$863
Three Bedroom	4	50%	$1,079
Three Bedroom	4	60%	$1,295
Total Units	**36**		

HS DEVELOPMENT PARTNERS

Proposed 9% LIHTC Scoring Categories

Below is a brief summary of the achievable points for The Flats on Blue Heron with a 9% LIHTC Application Submission with HS development Partners, LLC

	Anticipated Points
Development Team Experience	**25**
Supportive Housing (Tenant Based @ 15% of the units)	**30**
Proximity to Amenities	**35**
Community Revitalization Plans	**5**
DDA	**5**
Community WiFi	**15**
Local GAP Loan	**20**
Land Lease	**5**
Family Units	**20**
Smoke Free Development	**5**
Energy Efficiency	**10**
Increased Extended Use Period	**20**
Total Anticipated Points	**195**

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Columbus, Ohio 43204

HS DEVELOPMENT PARTNERS

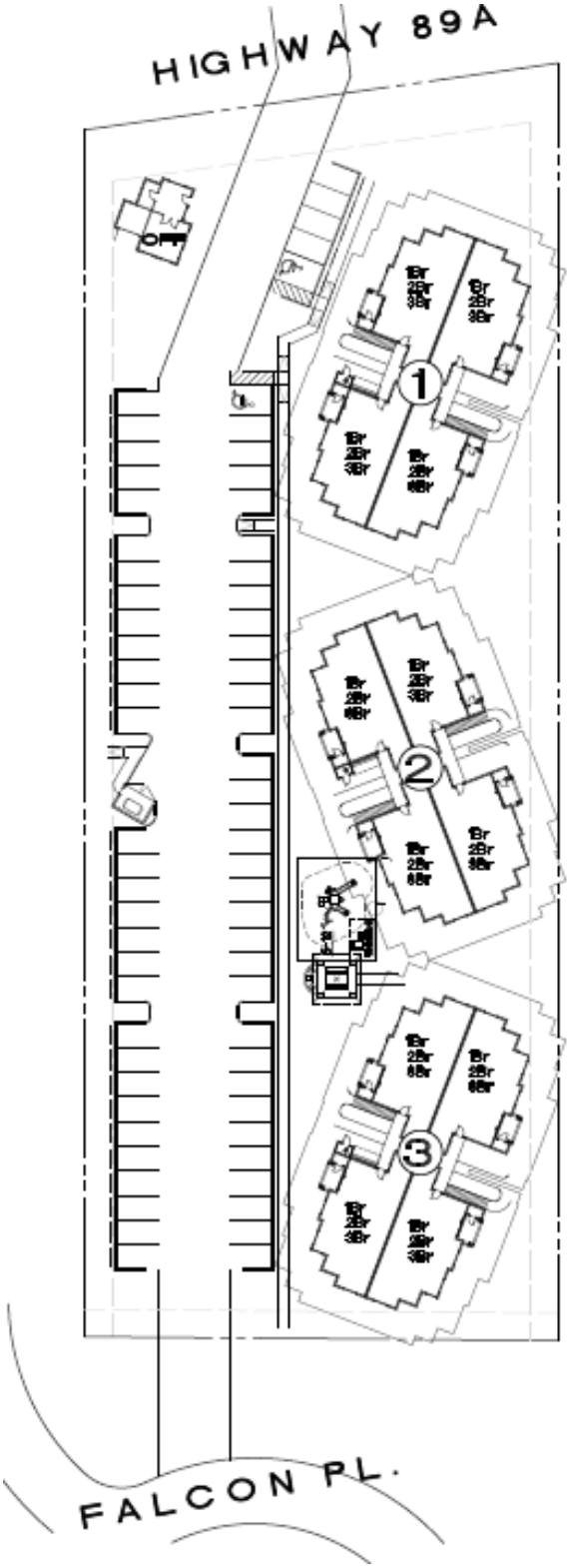
Site Control/Ground Lease

The proposed project, The Flats on Blue Heron, will involve another land lease from the City of Sedona, which will be structured the same as The Villas on Shelby. This existing ground lease will be replicated for this project which will include an up-front payment to the City of Sedona of $50,000 and an annual payment to the City of Sedona of $1,200/year. The ground lease will have a 75-year term and a 30 year affordability period. At the end of the initial affordability period of 30 years, the City will have the option to purchase the projects for $100, as detailed in the enclosed lease agreement (between the City and The Villas on Shelby). Any further affordability restrictions after 30 years will be from the direct of the City of Sedona.

Financing Structure

HS Development Partners, LLC will utilize the 9% Low Income Housing Tax Credit program to fund the Flats on Blue Heron. The application will be completely assembled and submitted to the Arizona Department of Housing (ADOH) on or before April 1, 2025. All application expenses associated with the submission of a 9% LIHTC Application will be the complete responsibility of HS Development Partners, LLC including, but not limited to: architectural design costs, Civil Engineering, Phase 1 Environmental Report, Appraisal Report, Market Study Reports, State Agency Fees, Financing Due Diligence Fees, Application Fees and any other costs associated with the submission of the Tax Credit Application.

In an effort to maximize points for the 9% application, HS Development Partners will request a soft loan or waiver of local fees in the amount of $100,000, meeting the QAP eligibility for scoring purposes.



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Once the 9% LIHTC are secured for this project (awards are announced on June 2nd, 2025); the remaining of the financing structure will include a Construction Loan, Permanent Loan (once Construction Activities are completed) and a Deferred Developer Fee from HS Development.

Firm commitments for this project have been provided with this RFP Submission Response.

		Construction Sources	Total Permanent Sources
Construction Loan		$16,000,000	
Permanent Loan			$1,500,000
Tax Credit Equity	$2,000,000 – LIHTC Allocation (ADOH)	$880,460	$17,198,280
Sedona Soft Loan City Soft Loan	$100,000		
Deferred Developer Fee HS Development			$320,609
Total Development Costs			**$19,118,889**

Marketing, Lease Up and Maintenance

The Flats on Blue Heron will be utilizing 9% Low Income Housing Tax Credits (LIHTC), which will require long-term affordability requirements and on-going record keeping to meet the demands of the LIHTC program. HS Development will contract through Kay-Kay Realty to conduct project lease-up, ongoing record-keeping, affordability requirements and on-going maintenance for this project.

Kay-Kay Realty is an Arizona corporation that has been actively engaged in property and asset management since its inception in 1979 with particular expertise in multifamily residential properties. KKR currently provides asset management or compliance management services to approximately 400 properties in 17 states with on-site management in Arizona, Oklahoma, Nevada, New Mexico, Utah and Wisconsin. Currently, Kay-Kay is conducting lease-up activities in Flagstaff for HS Development's affordable housing project, The Villas on Lake Mary. Lease-up activities have been very successful and are close to being fully leased.

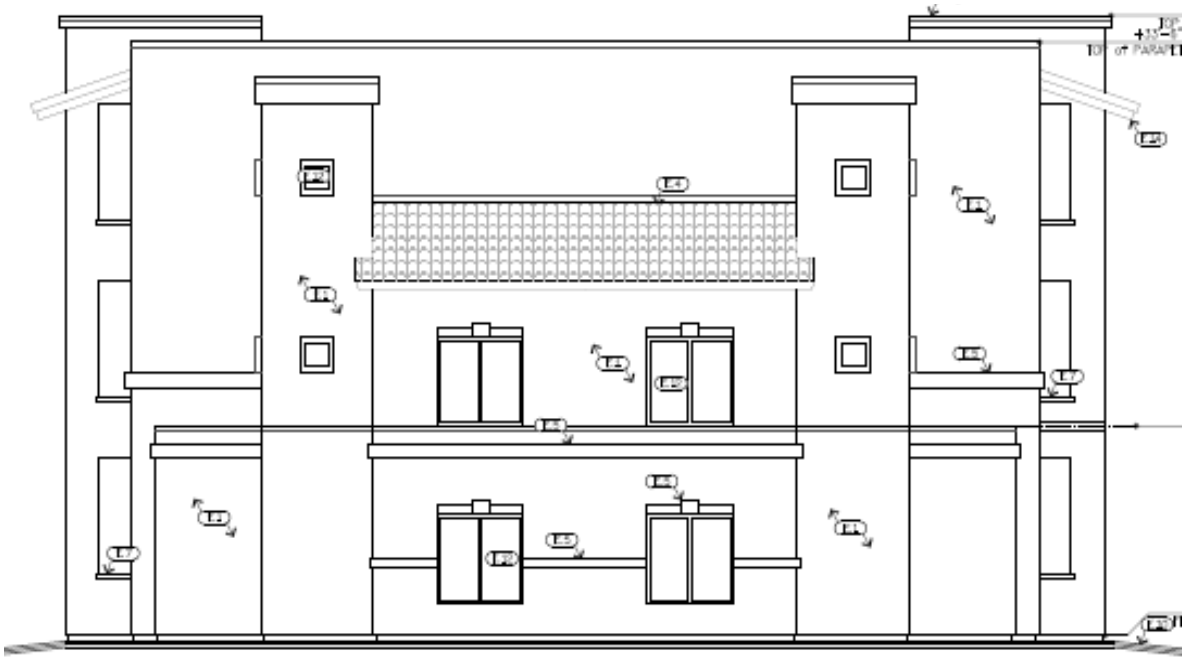
Kay-Kay Realty will also be providing on-site management and maintenance for The Villas on Shelby by having these three northern Arizona projects (The Villas on Lake Mary, The Villas on Shelby and The Flats

on Blue Heron), Kay-Kay will be able to provide more opportunities for full-time management staff, maintenance staff and more on-demand service availability. Further, on-going purchasing for repairs and maintenance supplies through Kay-Kay will provide better prospects for pricing and purchasing.

Given that The Flats at Blue Heron will be an 100% affordable housing project in Sedona, Arizona, the lease-up processes will be expected to be immediate and in high demand. Kay-Kay will be able to replicate its lease up processes as well as simultaneously market these projects together streamlining the lease-up experience for local residents.

Construction – General Contractor

Wespac Construction is a local (Flagstaff and Phoenix) contractor who is vastly experienced in the construction of multifamily projects in the northern, Arizona climate. The benefit of using a local contractor is that they are familiar with the climate, local environment and have a plethora of local subcontractors that can be relied upon at any time. This local knowledge plus multifamily experience is vital in selecting a General Contractor for a project and can ensure our project budgets are on target and the projects are constructed on time. Wespac Construction will be the contractor for the project, The Flats on Blue Heron and will have local knowledge and relationships with subcontractors, inspectors and key stakeholders for The Flats on Blue Heron, who can confirm our proposed construction timeline and construction budget to deliver these proposed units on-time and under budget.



SIDE ELEVATION

HS DEVELOPMENT PARTNERS

Project Schedule – 9% LIHTC

Project Submission to ADOH	**April, 2025**
Project Award Announcement	**June, 2025**
Zoning Hearing / City Council	**September, 2025**
Full Architectural Drawings/Civils/Permit Submission	**September, 2025**
Permits Secured (The Flats on Blue Heron)	**November, 2025**
Construction Commencement	**November, 2025**
Project Placed-In-Service/Construction Completion	**December, 2026**
Lease-up	**March, 2026**
Conversion to Permanent Loan	**July, 2026**

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HS DEVELOPMENT PARTNERS

ALTERNATIVE PROPOSAL

4% LIHTC/ Tax-Exempt Bond Transaction Scenario for

2411 W. SR 89A (25-12RFP)

HS Development Partners, LLC will develop the Villas on Shelby through a 4% LIHTC/Tax Exempt Bond financing structure. On December 12, 2024, HS Development submitted a response to 25-08RFP as an option for the Sunset Lofts project to be incorporated under the same transaction enabling Sunset Lofts and The Villas on Shelby to be simultaneously developed through this financing structure, combining these projects into a single 4% LIHTC/Bond Transaction. While 25-08RFP is still under review, a final scenario that HS Development Partners is able to propose is for all three projects to be developed simultaneously under one large Bond Transaction as a "single" transaction with three different projects; The Villas on Shelby, Sunset Lofts and 2411 W. 89A (The Flats on Blue Heron); delivering a total of 112+/- affordable housing units to the Sedona Community at once.

- **The Villas on Shelby:** The anchor project with 100% of financing secured; delivering 30 affordable housing units
- **Sunset Lofts:** 46 moderate-income units, pending 25-08RFP award
- **2411 W. 89A:** This is a newly introduced project with 36 affordable housing units anticipated

Potential Benefits of a "Single" Transaction:

- **Cost Savings:** Combining projects into a single transaction can potentially lead to:
  - **Economies of scale:** Larger transactions may attract more favorable interest rates from bond investors.
  - **Reduced administrative costs:** Streamlining the application and approval process for multiple projects.
  - **Increased leverage:** Combining the resources of three projects could strengthen the overall financial position of the development.
- **Increased Impact:** Delivering 112 affordable housing units simultaneously would have a significant positive impact on the Sedona community, addressing a greater portion of the affordable housing need.
- **Timing:** This financing scenario is a non-competitive funding source that ensures all three projects advance, immediately. The Flats on Blue Heron as a 9% LIHTC application is not a guaranteed funding source and therefore depends on a competitive application process. By coupling these projects into one transaction, the project will be guaranteed to advance with only architectural, civil and permitting processes.

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HS DEVELOPMENT PARTNERS

Overview of financing structure incorporating all three Affordable Housing Projects

	The Villas on Shelby	Sunset Lofts	The Flats on Blue Heron	Total Permanent Sources
Units	30	46	36	**112**
Permanent Loan Redstone				**$7,100,000**
Tax Credit Equity Raymod James				**$20,100,159**
ADOH Soft Loan State Housing Trust Funds	$5,000,000	$0		**$5,000,000**
Sedona Soft Loan City Soft Loan	$2,250,000	$5,750,000	$5,750,000	**$13,750,000**
Deferred Developer Fee HS Development				**$1,893,002**
				$47,843,161

***The $5,000,000 in ADOH Funding and the $2,250,000 in Sedona Funds shown above, have already been secured through The Villas on Shelby project by HS Development Partners, LLC

Thank you for the opportunity to submit our response to RFP 25-12RFP, we look forward to continuing our relationship with the City of Sedona in our mission to develop high-quality affordable housing projects and to discuss our proposal, The Flats on Blue Heron.

Respectfully,

Bonnie J. Demmy

Bonnie J. Demmy
HS Development Partners, LLC
Managing Member

2323 W. 5th Avenue, STE 120
Columbus, Ohio 43204

CERTIFICATE OF ATTENDANCE

2024-2025 QAP Application Workshop

December 12, 2024 | Virtual Conference

This is to certify that

Bonnie Demmy

has met the requirements of the
2024 - 2025 Qualified Allocation Plan
at Section 4(A(1)).

This certificate must be inserted in each
2025 Low Income Housing Tax Credit application
as proof of compliance with the QAP.

Joan Serviss, Chief Executive Officer

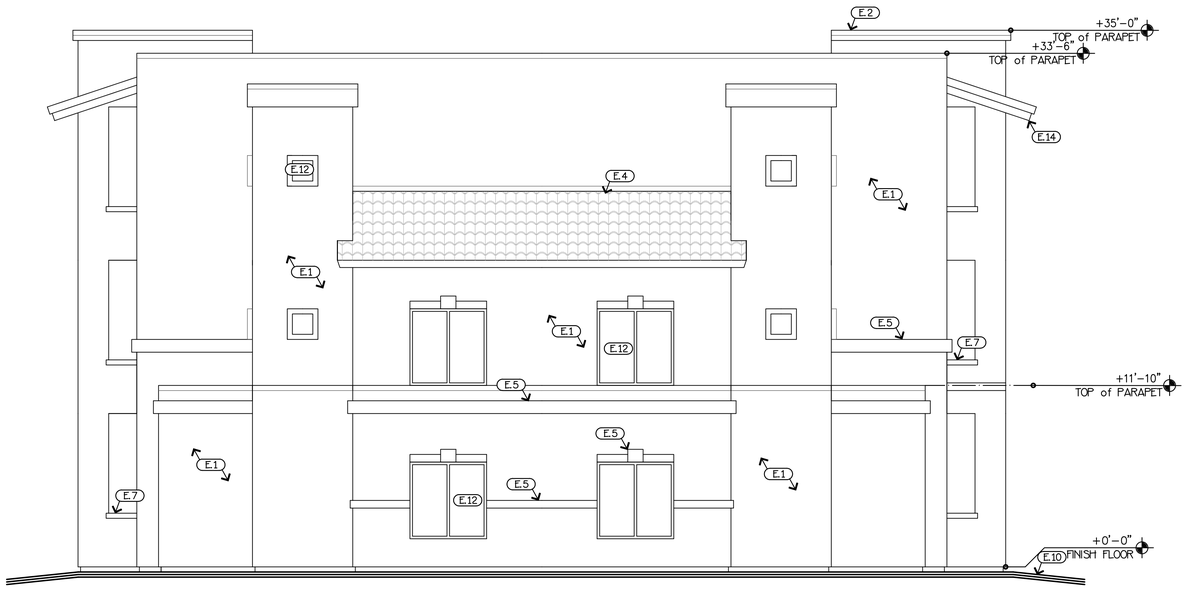
December 18, 2024
Date

Arizona Department of Housing

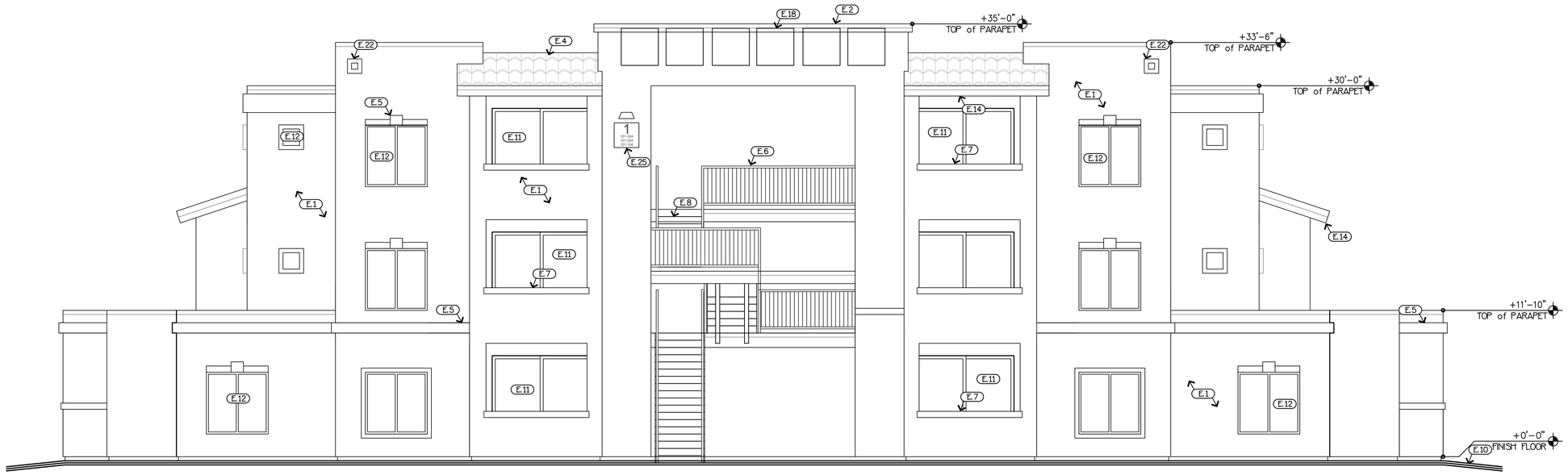
1110 West Washington Street, Suite 280 | Phoenix, AZ 85007 | Phone: 602-771-1000 | Fax: 602-771-1002 | www.housing.az.gov

KEYNOTES A00

E. 1 EXTERIOR INSULATION and STUCCO FINISH SYSTEM
E. 2 PARAPET WITH METAL CAP
E. 4 CONCRETE ROOF TILES
E. 5 ADDITIONAL LAYER(S) of FOAM to FORM POPOUT, SLOPE TOP of ALL POPOUTS to DRAIN
E. 6 WROUGHT IRON SAFETY RAILING, TOP at +42"
E. 7 WOOD FRAME PATIO/BALCONY WALL
E. 8 METAL PRE-FABRICATED STAIRS with METAL RISERS
E. 10 FINISH GRADE, See CIVIL PLANS
E. 11 DOOR, See SCHEDULE
E. 12 WINDOW, See SCHEDULE
E. 14 STUCCO FASCIA over WOOD FRAMING
E. 18 ROOF MOUNTED AC UNIT on SLEEPERS
E. 22 ROOF SCUPPER
E. 25 ILLUMINATED BUILDING ID SIGNAGE



SIDE ELEVATION



FRONT ELEVATION

BLDG TYPE 1 ELEVATIONS

SCALE: 1" = 4'-0"

ATHENA STUDIO, LLC
2801 E. Camelback 200
Phoenix, AZ 85016
602-274-5000

RFP Place Partners

Sedona Cultural Park HS Development

Issue Date:
NOV 2023

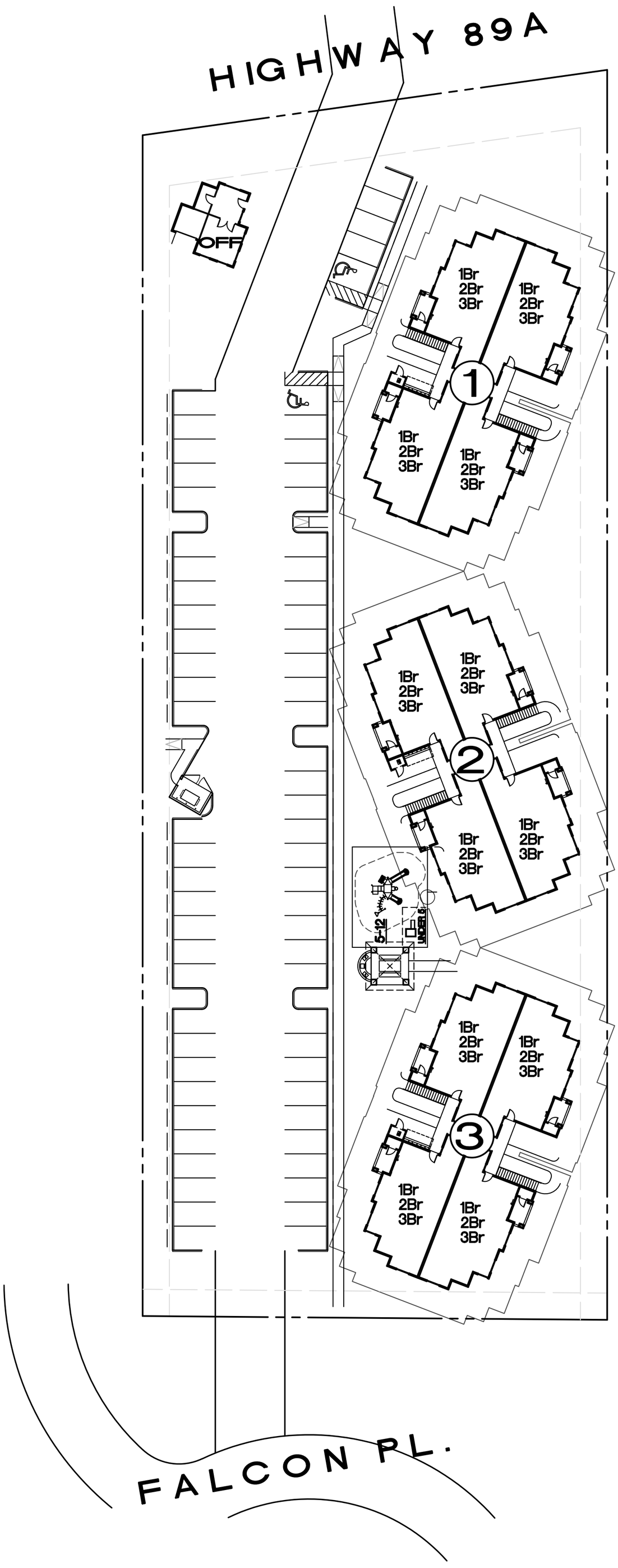
Revisions:

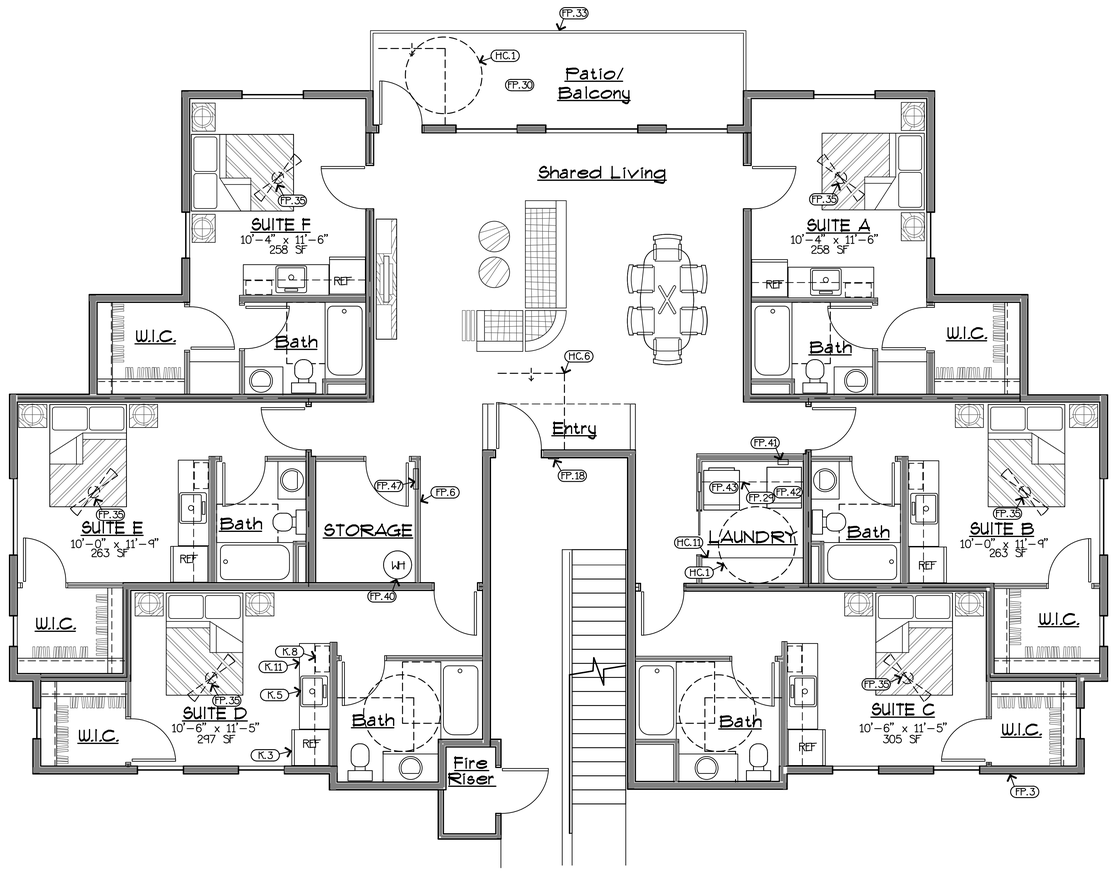
PROJECT NUMBER 1615.1
DRAWN BY PS
REVIEWED BY PS
START DATE MAY 17, 2016
DATE PLOTTED 11/25/23
CAD FILE NAME 2314.1-FLP

BLDG TYPE 1 ELEVATIONS

A1.4

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HIGHWAY 89A
OFF
1Br
2Br
3Br
1
2
3
5-12
FALCON PL.



KEYNOTES A00

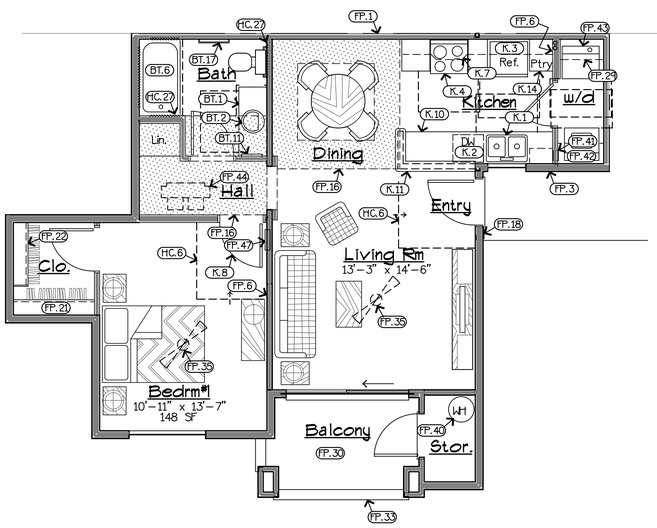
FP.	1	1-HR DWELLING SEPARATION, STC 50 MIN.
FP.	2	
FP.	3	1 HOUR RATED EXTERIOR FRAME WALL
FP.	6	NON-RATED INTERIOR WALL
FP.	11	2x6 WALL for PLUMBING
FP.	16	FURR DOWN CEILING, See MECHANICAL PLANS
FP.	18	DWELLING UNIT NUMBER MOUNT at 60" AFF
FP.	21	1 SHELF and 2 CLOSET RODS
FP.	22	2 SHELVES and 1 CLOSET ROD
FP.	29	16" SHELF ABOVE WASHER and DRYER
FP.	30	SLOPE PATIO SLAB / BALCONY FLOOR to DRAIN
FP.	33	PATIO WALL / BALCONY RAILING, See ELEV.
FP.	35	CEILING FAN ABOVE
FP.	40	WATER HEATER
FP.	41	RECESSED WASHER CONNECTION BOX
FP.	42	WASHER
FP.	43	DRYER
FP.	44	FAN COIL ABOVE
FP.	47	ELECTRICAL SUB PANEL, See ELEC. PLANS

K.	1	DOUBLE S.S. 32" SINK w/ DISPOSAL
K.	2	UNDERCOUNTER DISHWASHER
K.	3	REFRIGERATOR, TWO DOOR
K.	4	RANGE, ELECT. SLIP-IN
K.	5	SINGLE S.S. SINK
K.	7	MICROWAVE with VENT HOOD
K.	8	MICROWAVE IN UPPER CABINET
K.	10	PLASTIC LAM COUNTER TOP and SPLASH
K.	11	BAR/COUNTER, FINISHED SURFACE at 42" AFF
K.	14	18" WIDE PANTRY with 5 SHELVES

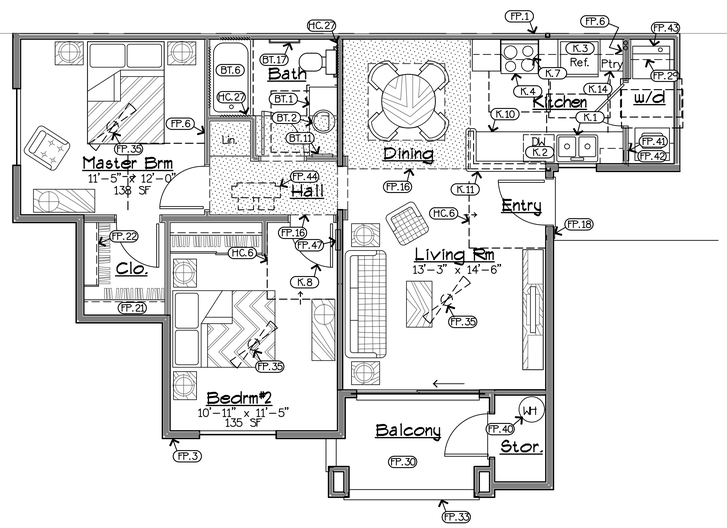
BT.	1	PLASTIC LAMINATE COUNTER TOP/SPLASH
BT.	2	PORCELAIN 18" ROUND LAV
BT.	6	TUB/SHOWER with FIBERGLASS SURROUND
BT.	11	MEDICINE CABINET with 16"x22" MIRROR
BT.	17	24" TOWEL BAR at 54" A.F.F.

HC.	1	60" DIAMETER MANEUVERING SPACE
HC.	6	CLEAR MANEUVERING AREA at DOOR
HC.	8	34" DR equals NOMINAL 32" CLEAR OPENING
HC.	11	WORK COUNTER w /KNEE SPACE, 30" WIDE MIN
HC.	27	BLOCKING for GRAB BAR(S)

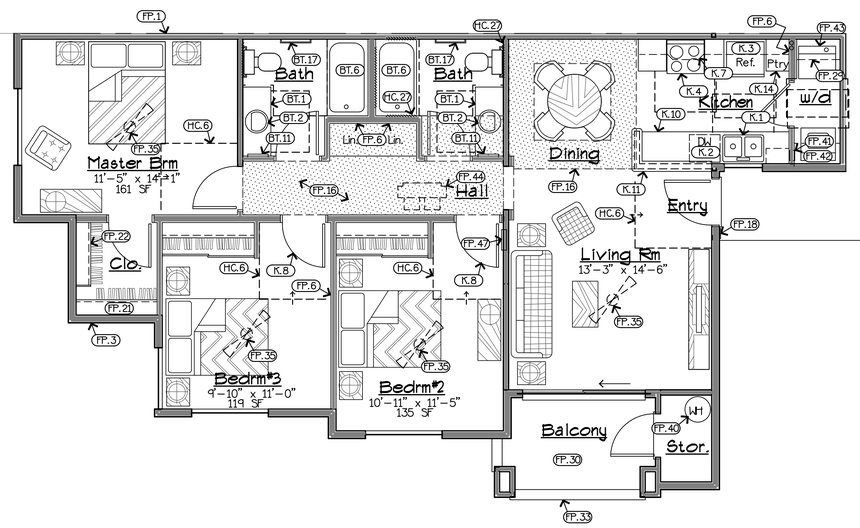
D UNIT - SIX EFFICIENCY UNITS with SHARED COMMON AREA



A UNIT - ONE BEDROOM



B UNIT - TWO BEDROOM



C UNIT - THREE BEDROOM

UNIT FLOOR PLANS

SCALE: 1" = 4'-0"

ATHENA
STUDIO, LLC
2801 E. Camelback 200
Phoenix, AZ 85016
602-274-5000

Sedona RFP
Cultural Park Place
HS Development Partners

Issue Date:
NOV 2023

Revisions:

PROJECT NUMBER
1615.1
DRAWN BY
PS
REVIEWED BY
PS
START DATE
MAY 17, 2016
DATE PLOTTED
11/24/23
CAD FILE NAME
2314.1-FLP

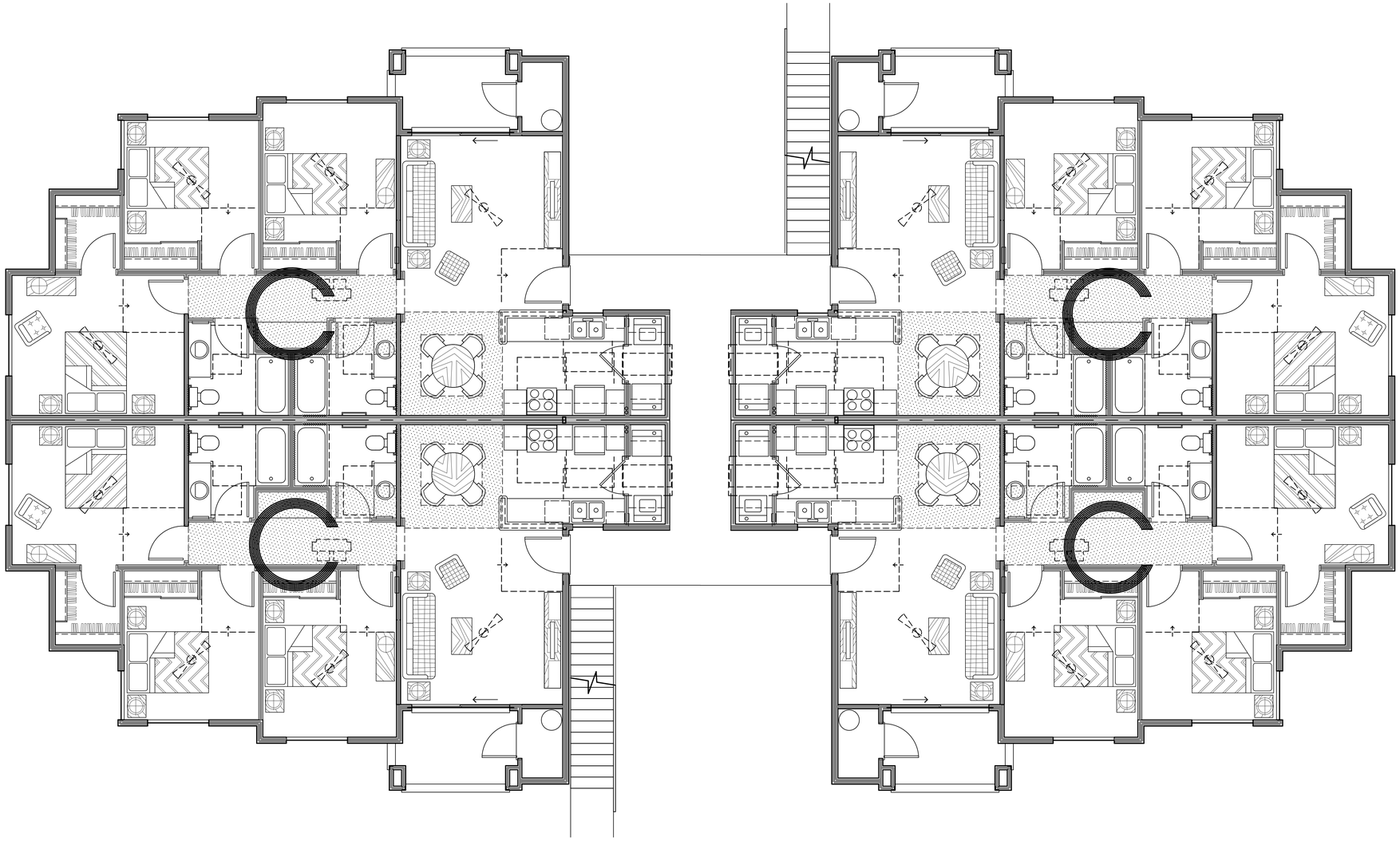
UNIT FLOOR PLANS

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BLDG TYPE 1 FIRST FLOOR PLAN
SCALE: 1" = 4'-0"

Sedona RFP
Cultural Park Place
HS Development Partners

Issue Date:
NOV 2023

Revisions:

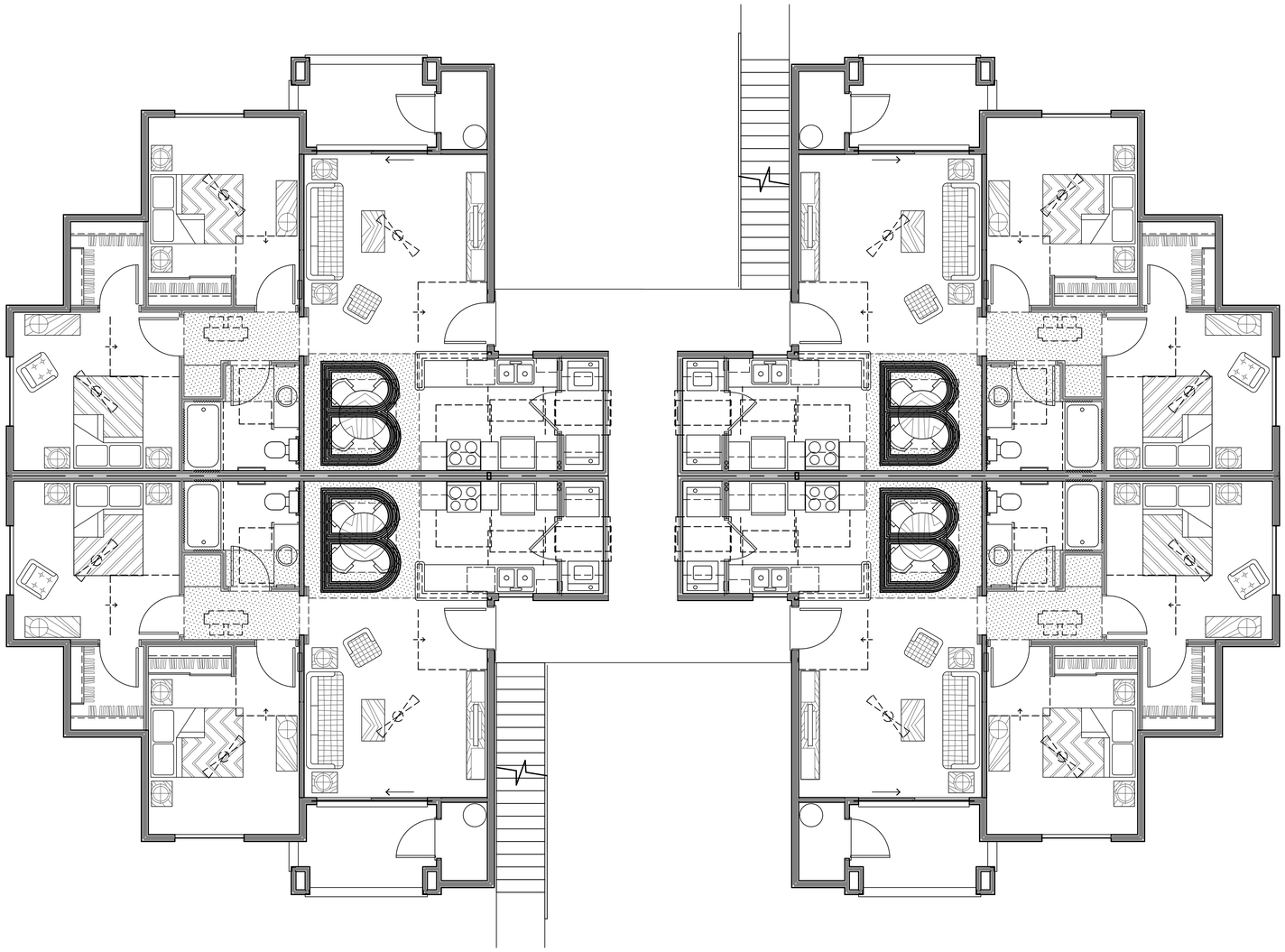
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START DATE
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BLDG TYPE 1 1ST FLOOR PLAN

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BLDG TYPE 1 SECOND FLOOR PLAN

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Revisions:

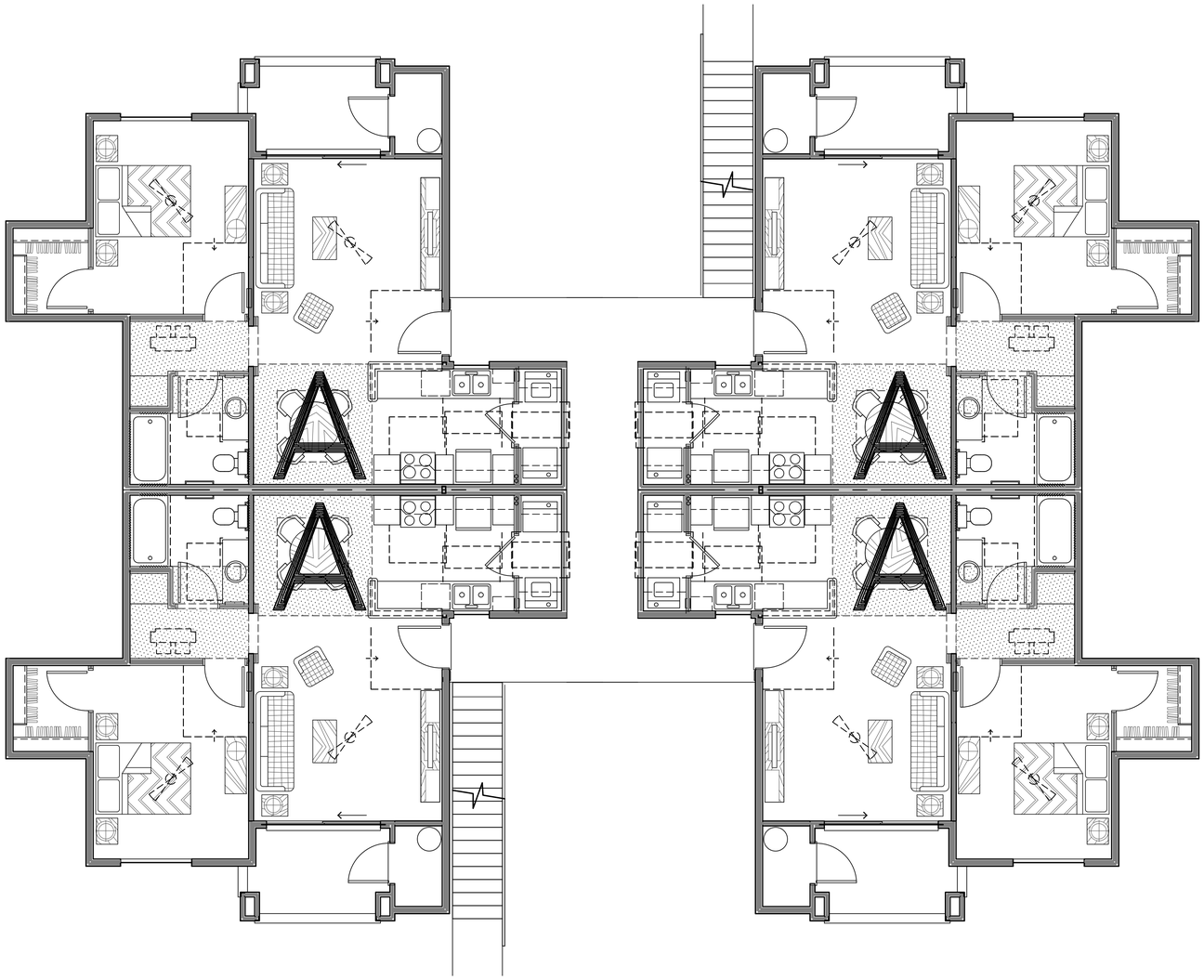
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DRAWN BY
PS
REVIEWED BY
PS
START DATE
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DATE PLOTTED
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CAD FILE NAME
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BLDG TYPE 1 2ND FLOOR PLAN

A1.2

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BLDG TYPE 1 THIRD FLOOR PLAN

SCALE: 1" = 4'-0"

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Revisions:

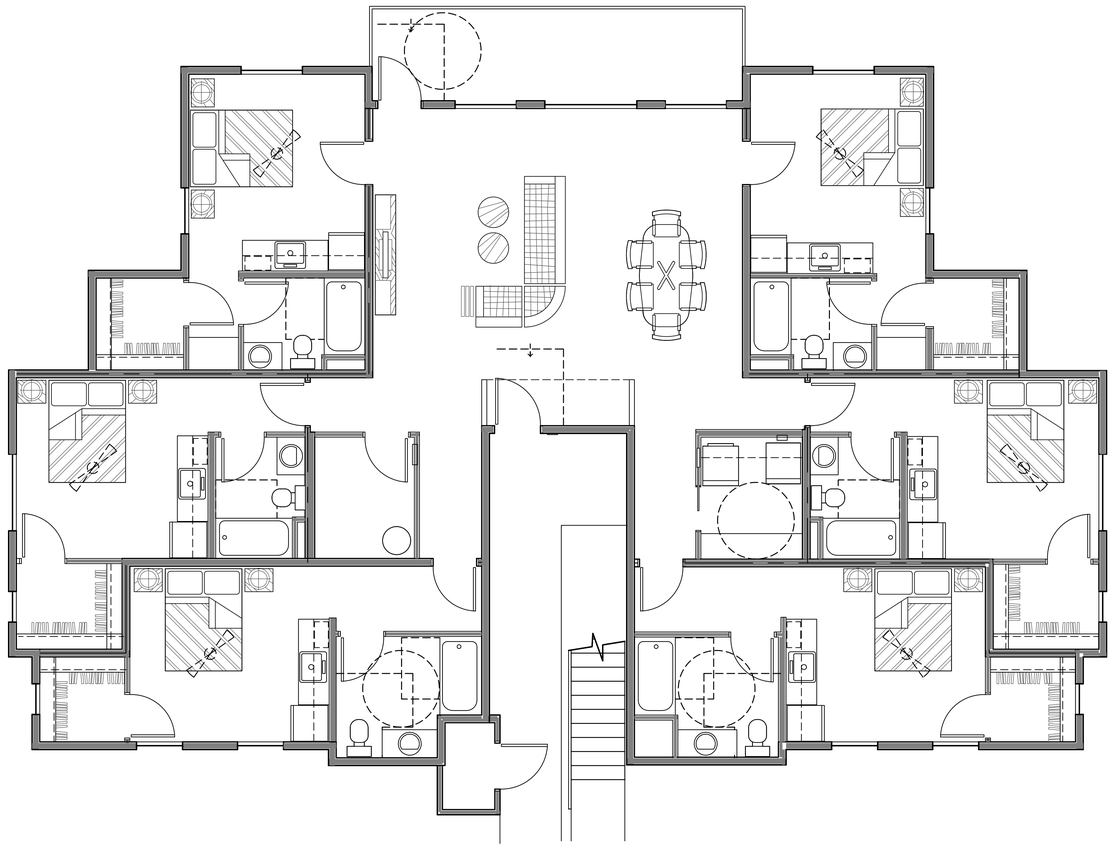
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REVIEWED BY	PS
START DATE	MAY 17, 2016
DATE PLOTTED	11/25/23
CAD FILE NAME	2314.1-FLP

BLDG TYPE 1 3RD FLOOR PLAN

A1.3

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BLDG TYPE 2 FIRST FLOOR PLAN

SCALE: 1" = 4'-0"

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Revisions:

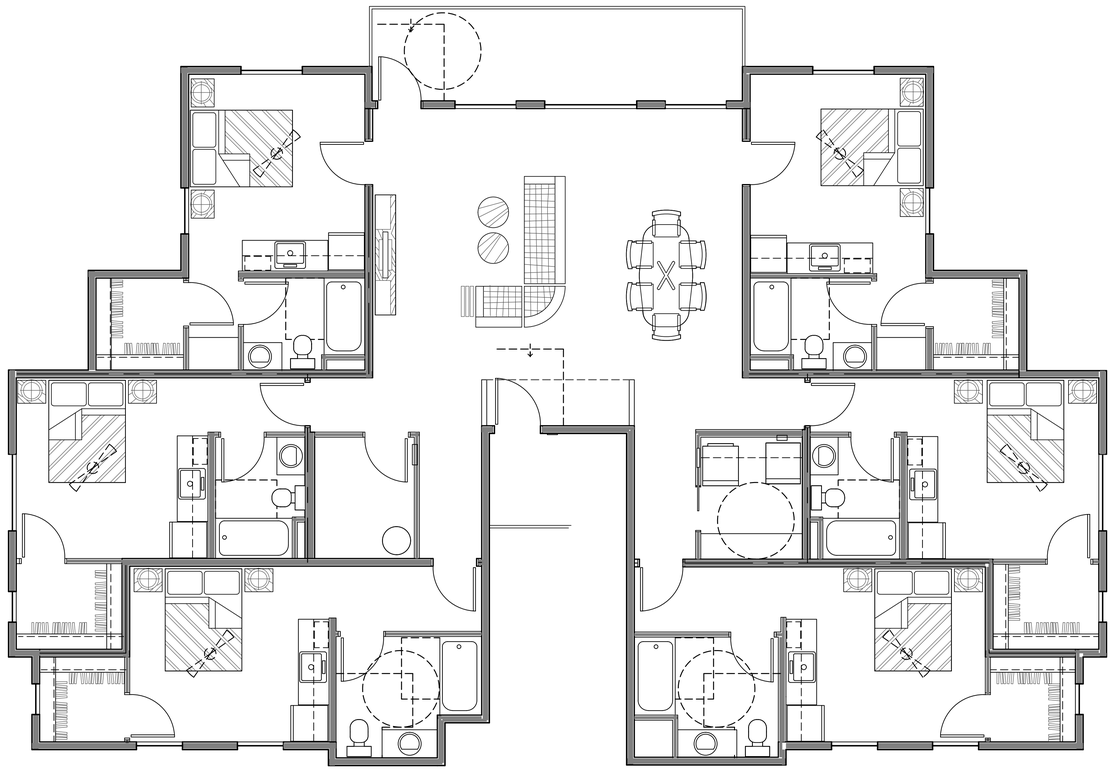
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START DATE
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BLDG TYPE 2 1ST FLOOR PLAN

A2.1

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BLDG TYPE 2 SECOND FLOOR PLAN

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Issue Date:
NOV 2023

Revisions:

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BLDG TYPE 2 2ND FLOOR PLAN

A2.2

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Project Team, Direct Contacts, Experience

Developer: HS Development Partners, LLC
2323 W. 5th Ave, STE 120
Columbus, Ohio 43204

Direct Contact(s): Matthew A. Shoemacher: 216.406.3683
mshoemacher@hsdevpartners.com

Bonnie J. Demmy: 937.607.9755
bharbage@hsdevpartners.com

Property Manager: Kay-Kay Realty Corp.
6908 E. Thomas Road, Suite 300
Scottsdale, AZ 85251

Direct Contact: Michael Kotin: 480.94.1999
Mike@kay-kay.biz

General Contractor: Wespac Construction Inc.
345 S. River Road, Suite 130
Flagstaff, AZ 86001

Direct Contact: Tyler Mark: 928.774.2358
tmark@wespacaz.com

HS DEVELOPMENT PARTNERS

Resumes and Experience Information Attached

HS DEVELOPMENT PARNTERS, LLC

Resumes

CONTACT

PHONE:
216.406.3683 & 937.607.9755

EMAIL:
housing@hsdevpartners.com

HS Development Partners, LLC was formed in December of 2018 by Matthew Shoemacher and Bonnie Harbage, longtime colleagues working as developers in the affordable housing industry with over 30 years of combined experience. HS Development Partners, LLC is a multifaceted Real Estate Development and Consulting Company focusing on building new and preserving existing affordable housing utilizing 9% and 4% tax credits across the Midwest and select States across the county. Brief bios for Matt and Bonnie are following, as well as a detailed project list, enclosed with this document.

Matthew A. Shoemacher – Managing Member

Direct Dial: 216.406.3683
mshoemacher@hsdevpartners.com

Matthew A. Shoemacher has been active in the affordable housing industry since 2003 when he started his career as a Development Associate for National Church Residences ("NCR") in Columbus, OH. While at NCR, Matt was involved with submitting tax credit applications in 13 states along with assisting on numerous state and local subordinate financing requests. In 2004 he joined The NRP Group ("NRP") located in Cleveland, OH. During his tenure as Vice President of Development, Matt was responsible for all development activities in North Carolina and Texas which resulted in the successful new construction development of 25 properties encompassing over 3,100 units of multifamily housing utilizing 4% and 9% tax credits, tax exempt bonds, conventional financing, federal/state/local subordinate loans, Federal HOME loan Bank, Section 9 Operating Subsidies and TCAP. While at NRP the Firm was awarded the prestigious National Association of Home Builders ("NAHB") Multifamily Development Firm of the Year and was consistently ranked the #1 Affordable Housing Development Firm in the United States by Affordable Housing Finance Magazine. In 2010, Matt joined Wallick Communities ("Wallick") as Senior Vice President of Development focusing on acquisition rehab of existing Project Based Section 8 Communities across the Midwest utilizing 9% and 4% tax credits, tax exempt bonds, federal historic tax credits, state historic tax credits, HUD Mark to Market, HUD Mark Up to Market and other various federal/state/local funding sources. While at Wallick, Matt redeveloped over 31 properties representing more than 1,900 units. During his tenure at Wallick, the firm was also consistently ranked as a Top 3 developer of firms completing substantial rehabs nationally. Over his 20 year career, Matt has obtained over $45 million in tax credit allocations representing more than $605 million in total project costs.

Mr. Shoemacher has a degree in from The Ohio State University in International Relations and completed his post graduate studies at La Sorbonna Paris IV where he received his Licence Geographie Et Amenagement.



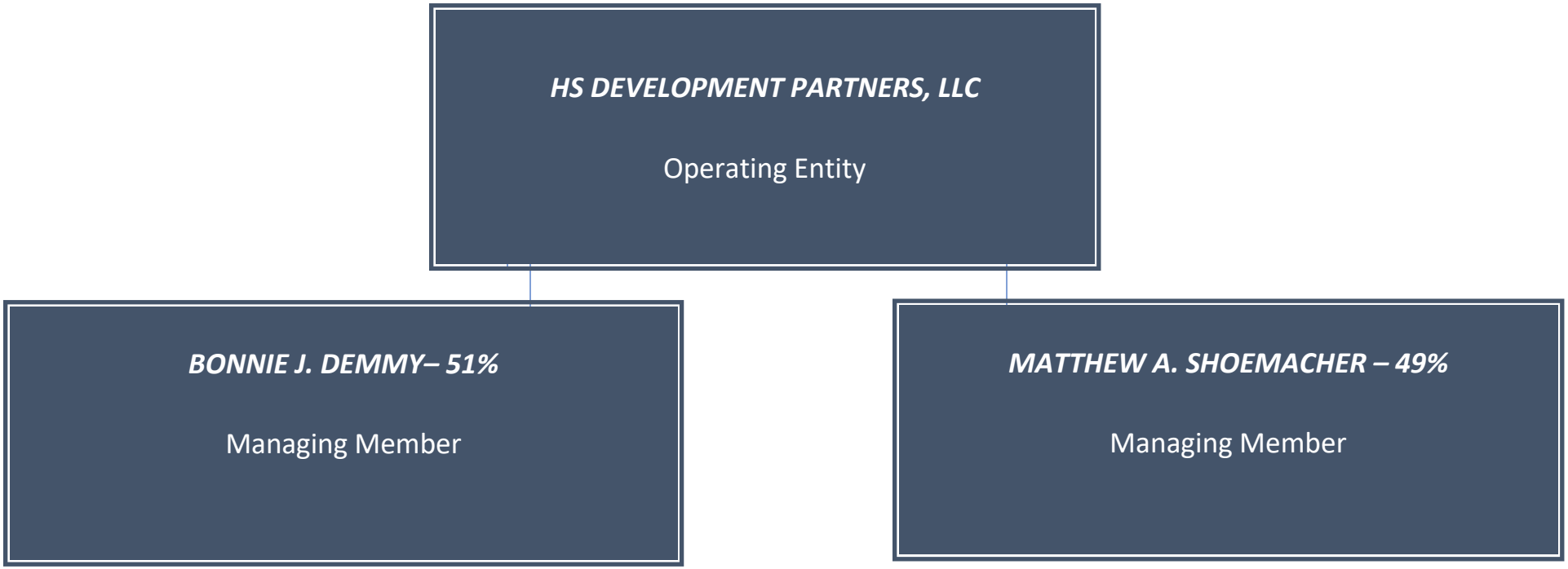
Bonnie J. **Demmy –** Managing Member

Direct Dial: 937.607.9755
bharbage@hsdevpartners.com

Bonnie Demmy began her development career for Wallick Communities in 2008. She was an initial hire for the organization to begin development activities for the organization after taking a number of years off in the development industry. Bonnie has been responsible for all development activities at Wallick including site selection, rezoning and community relations, application preparation, third party negotiations (architect, construction, third party reports), bringing in key partners for all projects, underwriting and syndicator selections. She has been involved from start to finish on 29 projects over the last 10 years working in all areas of projects including closings for over 1,900 units involving multiple financing mechanisms including RD, HUD, HOME Funds, 9% LIHTC, 4% LIHTC, conventional financing, Federal Home Loan Bank and other funding sources focusing on rehabilitation of existing projects with complex and detailed financing structures. Bonnie also has extensive experience in utilizing Federal and State Historic Tax Credits for the redevelopment of Historic Structures across multiple states. During her time at Wallick, Bonnie rose from a Development Associate to Vice President of Development, focusing on all development activities in Kentucky, Indiana, Illinois and Missouri securing over $13 million in LIHTC allocations representing over $230 million in total funding sources.

Bonnie is a licensed Certified General Real Property Appraiser and has an undergraduate degree from The Ohio State University in Real Estate and Finance, and a master's degree from Ohio State in City and Regional Planning.

ORGANIZATIONAL CHART – HS DEVELOPMENT PARTNERS, LLC



Affordable Housing Development and Operations Qualification, Experience and Past Performance

HS Development Partners, LLC

HS Development Partners, LLC consists of Bonnie Demmy and Matthew Shoemacher as long-term colleagues and partners with over 30 years of combined experience in affordable housing development. Their experience includes both new construction and the preservation of vital housing resources utilizing funding mechanisms such has HUD, Mark-to-Market, Section 8, Section 9 operating subsidies, Low Income Housing Tax Credits (4% and 9%), Tax Exempt Bonds, USDA, Federal Home Loan Bank, HOME Funds, Trust Funds, CDBG, Federal and State Historic Tax Credits, federal/state/local subordinate loans, conventional financing as well as TCAP. Further, many of their projects have utilized local non-profit partners to provide on-site supportive services for the targeted populations served at their facilities; with many of their projects receiving HUD Grants for supportive services.

Their experience includes the preservation of 2,164 units in four states, and 3,407 new construction units in three states. They have utilized both federal and state historic tax credits in both Ohio and Kentucky on 4 historic projects and are vastly experienced in utilizing multiple layers of financing for complex housing projects.

Please see the following pages for project details for HS Development Partners, LLC

Affordable Housing Development Past Performance – Specific Examples

HS Development Partners, LLC Experience List

Project Name	**Hurstbourne Senior Apartments, LLC**
Address	4901 S. Hurstbourne Parkway, Louisville KY 42091
Scope of Work	New Construction, 9% Low Income Housing Tax Credit Project for a senior aged 55-and older, three story, elevatored building. This project consisted of 70-units (35 one-bedrooms and 35 two-bedrooms); construction completion in November, 2023. HS Development Partners, LLC also secured $1,450,000 in HOME Funds from the City of Louisville to aid in project GAP shortages caused from COVID including price increases, shortages in labor, supply-chain delays and overall interest rate increases.
Size of Project	70 total units
Total Development Cost	$14,567,413
Start/Completion	2021 Allocation; 2023 Completion and PIS
Reference Contact	Mary M. McGuire, Esq. Office of Housing & Community Development - Louisville Metro Government

444 South Fifth Street, 5th Floor
Louisville, KY 40202
Mary.McGuire@louisvilleky.gov
Office: 502.574.2869

Project Name	**The Villas on Lake Mary, LLC**
Address	4000 S. Lake Mary Road Flagstaff, AZ 86005
Scope of Work	New Construction, 9% Low Income Housing Tax Credit Project involving the construction of 76-family units in Flagstaff, AZ. This project has a total of 6 apartment buildings with one community/management building. This project has received additional funding through ADOH including both State Housing Trust Funds and National Housing Trust Funds, a grant from LISC (Home Matters), funding from the City of Flagstaff as well as additional forward allocated tax credits. These additional funding sources were secured by HS Development Partners, LLC to aid in the cost over-runs which plagued affordable housing projects in the COVID Era including, increased construction costs, labor shortages, supply-chain issues and increased interest rates.
Size of Project	76 Units
Total Development Cost	$29,043,863
Start/Completion	2021 Allocation/2024 Placed-in-Service
Reference Contact	Jennifer Mikelson Housing Planning Manager City of Flagstaff, AZ jmikelson@flagstaffaz.gov Office: 928.213.2744

Project Name	**The Sanctuary on Edwards, LLC**
Address	1125 Edwards Road Elsmere, KY 41018
Scope of Work	New Construction, 9% Low Income Housing Tax Credit Project involving the construction of 88-senior housing units in Elsmere, Kentucky. This project has a total of 2 apartment buildings on 7 acres. This project was awarded tax credits in 2023 and will start construction in early 2024 with an anticipated placed-in-service date of the second quarter, 2025.
Size of Project	88 Units
Total Development Cost	$20,161,864

Start/Completion	2023 Allocation/2025 Placed-in-Service
Reference Contact	Annie Ross Vice President, Development Ohio Capital Corporation for Housing 88 East Broad Street, Suite 1800 Columbus, Ohio 43215 aross@occh.org Cell: 513.678.0018
Project Name	**Peoria Portfolio – Hurlburt House, Schlarman House, Parkview Estates and Reservoir Estates**
Address	Hurlburt House - 818 W. Hurlbert, Peoria, IL 61605 Schlarman House - 707 N.E. Madison, Peoria, IL 61603 Parkview Estates - 2401 North Gale Avenue, Peoria, IL 61604 Reservoir Estates - 3336 West Kiva Ct, Peoria, IL 61604
Scope of Work	This involved a single transaction that covered four separate housing projects totaling 478 units in Peoria, IL. This complex housing transaction included 4% LIHTCs/Tax Exempt Bonds, Project Based Section 8, HUD Mark-to-Market, approximately $5 Million in Affordable Housing Trust funds from the Illinois Housing Development Authority and City HOME Funds. Additionally, this project included on-site supportive services through a HUD Supportive Service Grant program.
Size of Project	478 total units (family and senior populations) Hurlburt House – 75 units Schlarman House – 75 units Parkview Estate – 231 units Reservoir Estates – 97 units
Total Development Cost	$40,265,635
Start/Completion	2014 Allocation; 2015 Completion
Reference Contact	Cody Z. Langeness President – Red Stone Tax Exempt Funding 767 3rd Avenue, Suite 2003 New York, NY 10017 clangeness@redstoneco.com Office: 212.277.6427 Cell: 608.215.6333
Project Name	**Landings at Maysville High School**

Address	215 Limestone Maysville, KY 41056
Scope of Work **Size of Project**	Year – 15 preservation and substantial renovation of an historic school with 29 affordable housing units for families. The project included a 9% LIHTC allocation, Federal and State Historic Tax Credits and a Federal HOME Loan. This project involved a local non-profit partner as part of the ownership structure and service coordination.
Total Development Cost	$4,926,399
Start/Completion	2014 Allocation; 2015 Completion
Reference Contact	Frank Peele Relationship Manager – Regions Bank 601 Market Street Chattanooga, TN 37402 Frank.peele@regions.com Office: 423-752-7802

Project Name	**Parkwood Commons**
Address	1720 North Great Oak Road Peoria, IL 61604
Scope of Work	This project involved the preservation of 100 project-based Section 8 HAP contract and housing units. The project was at an extreme risk of losing these vital affordable housing units within Peoria, IL. The complex financing structure included 12 layers of financing such as 4% LIHTCs/Tax Exempt Bonds, Trust Funds from Illinois Housing Development Authority, HOME Funds from the City of Peoria, HUD Restructured and Assumed Mark-to-Market, HUD Flex Loan Waiver-Restructured and Assumed and partly forgiven loan, Managing Member Contribution, HUD Reserved Transfer, Seller Note, Deferred Developer Fee, Tax Credit Equity, Series A and B Tax Exempt Bond, Permanent Mortgage, Property Tax Exemption, PILOT (payment in-lieu of taxes).
Size of Project	100 Units
Total Development Cost	$19,637,297
Start/Completion	2019 Allocation; 2021 Completion
Reference Contact	Kristen Seneff, VP/Originations National Equity Fund, Inc. 1840 Mackenzie Drive, Suite 202 Columbus, Ohio 43220 ksneff@nefinc.org Direct: 614.216.8695 Cell: 614.216.8695

Bonnie Demmy and Matt Shoemacher
HS Development Partners, LLC

	Property	Rehab / NC	City	State	Units	Year	Type	Population	Credits	Total Credit Equity	Total Sources	Historic	M2M	Section 8	Year 15
1	**Hurstbourne Senior**	New Construction	Louisville	Kentucky	70	2021	9%	Senior	$1,190,000	$10,223,767	$14,567,413	No	No	No	No
2	**The Villas on Lake Mary**	New Construction	Flagstaff	Arizona	76	2021	9%	Family	$2,375,000	$21,372,863	$29,043,863	No	No	No	No
3	**The Sanctuary on Edwards**	New Construction	Elsmere	Kentucky	88	2023	9%	Senior	$1,496,000	$13,836,616	$20,161,864	No	No	No	No
					234				**$5,061,000**	**$45,433,246**	**$63,773,140**				

Bonnie Demmy and Matt Shoemacher
Wallick Development Experience

	Property	Rehab / NC	City	State	Units	Year	Type	Population	Credits	Total Credit Equity	Total Sources	Historic	M2M	Section 8	Year 15
1	**Berwick**	Rehab	Cambridge	Ohio	49	2010	9%	Senior	$392,059	$4,496,101	$7,845,843	Yes	No	Yes	No
2	**Almond**	Rehab	Dayton	Ohio	60	2010	9%	Senior	$508,352	$3,701,927	$6,406,142	No	Yes	Yes	No
3	**Skybird**	Rehab	Greensburg	Indiana	60	2010	9%	Senior	$398,071	$2,365,621	$4,576,977	No	Yes	Yes	No
4	**Rushville**	Rehab	Rushville	Indiana	48	2010	9%	Senior	$363,628	$2,242,429	$4,280,243	No	Yes	Yes	No
5	**Burnett**	Rehab	Rockville	Indiana	60	2010	9%	Senior	$404,156	$2,656,967	$5,118,840	No	No	Yes	No
6	**Washington CH**	Rehab	Washington CH	Ohio	45	2011	9%	Family	$409,736	$3,421,380	$5,235,640	No	Yes	Yes	No
7	**Carrollton**	Rehab	Carrollton	Kentucky	80	2011	9%	Family/Senior	$612,995	$4,494,610	$7,579,433	No	Yes	Yes	No
8	**Newark Village**	Rehab	Newark	Ohio	46	2012	4%	Family	$179,481	$1,615,168	$6,523,945	No	Yes	Yes	No
9	**Haddon Hall**	Rehab	Cincinnati	Ohio	114	2012	4%	Senior	$257,800	$2,657,736	$12,464,248	Yes	Yes	Yes	No
10	**Sunnyview**	Rehab	Delaware	Ohio	30	2012	9%	Senior	$311,878	$3,013,349	$4,593,052	No	No	Yes	No
11	**Lawrence Village**	Rehab	Southpoint	Ohio	70	2012	9%	Family	$633,323	$5,811,000	$7,893,957	No	Yes	Yes	No
12	**Lawrenceburg Village**	Rehab	Lawrenceburg	Indiana	80	2012	9%	Family	$616,885	$5,658,089	$8,136,953	No	Yes	Yes	No
13	**St. Aloysius**	Rehab	Covington	Kentucky	48	2013	9%	Senior	$562,397	$5,229,769	$8,428,943	Yes	Yes	Yes	No
14	**Castle Village**	Rehab	Broadhead	Kentucky	70	2013	9%	Family/Senior	$608,339	$5,514,503	$8,743,795	No	Yes	Yes	No
15	**Eminence Village**	Rehab	Eminence	Kentucky	54	2013	9%	Family	$619,262	$5,749,481	$7,459,751	No	No	Yes	No
16	**Ashland Village**	Rehab	Ashland	Ohio	45	2013	9%	Family	$450,074	$4,316,210	$6,166,687	No	Yes	Yes	No
17	**Fair Park Apts**	Rehab	Sardina	Ohio	40	2013	9%	Family	$352,132	$3,271,544	$5,492,964	No	Yes	Yes	No
18	**Maysville**	Rehab	Maysville	Kentucky	29	2014	9%	Family	$358,752	$3,228,445	$4,926,399	Yes	No	No	Yes
19	**Parkview**	Rehab	Peoria	Illinois	231	2014	4%	Family/Senior	$634,593	$5,996,294	$19,458,916	No	Yes	Yes	No
20	**Reservoir**	Rehab	Peoria	Illinois	97	2014	4%	Senior	$266,474	$2,517,924	$8,171,060	No	Yes	Yes	No
21	**Hurlburt**	Rehab	Peoria	Illinois	75	2014	4%	Senior	$206,037	$1,946,849	$6,317,830	No	Yes	Yes	No
22	**Schlarman**	Rehab	Peoria	Illinois	75	2014	4%	Senior	$206,037	$1,946,849	$6,317,830	No	Yes	Yes	No
23	**Taylor Ridge**	Rehab	Independence	Kentucky	100	2015	9%	Family	$900,772	$8,864,566	$14,404,423	No	No	Yes	No
24	**Locust Ridge**	Rehab	Dry Ridge	Kentucky	72	2017	9%	Family/Senior	$467,856	$4,818,587	$9,061,237	No	Yes	Yes	No
25	**Bedford Village**	Rehab	Bedford	Kentucky	40	2017	9%	Family/Senior	$332,255	$3,455,272	$5,374,143	No	Yes	Yes	No
26	**Highpoint Senior**	Rehab	Ludlow	Kentucky	44	2017	9%	Senior	$331,998	$3,353,011	$5,507,118	No	Yes	Yes	No
27	**Logan's Trace**	Rehab	Stanford	Kentucky	65	2018	9%	Family/Senior	$750,000	$6,786,753	$8,453,680	No	Yes	Yes	No
28	**Hillview Terrace**	Rehab	Greensburg	Kentucky	73	2018	9%	Family/Senior	$750,000	$6,824,249	$9,278,347	No	Yes	Yes	No
29	**Brooksville Green**	Rehab	Brooksville	Kentucky	16	2018	9%	Family	$187,500	$1,748,245	$4,225,507	No	No	Yes	No
30	**Brooksville Commons**	Rehab	Brooksville	Kentucky	48	2018	9%	Family/Senior	$562,500	$5,244,736	$7,148,519	No	Yes	Yes	No
31	**Cornerstone Crossing**	New Construction	Elsmere	Kentucky	50	2019	9%	Senior	$780,000	$7,176,000	$9,345,098	No	No	No	No
32	**Liberty Manor**	Rehab	Liberty	Kentucky	50	2019	9%	Family	$650,000	$5,915,000	$7,453,984	No	No	Yes	No
33	**Parkwood Commons**	Rehab	Peoria	Illinois	100	2019	4%	Family	$594,194	$5,406,572	$19,637,297	No	No	Yes	No
			2164				**$15,659,536**		**$141,445,235**	**$262,028,800**					

All 33 deals shown above were developed by together by Bonnie Demmy and Matt Shoemacher as officers of The Wallick Companies LLC, Wallick Construction LLC, Wallick-Hendy Development Company, LLC and Wallick Properties Midwest, LLC.

Matt Shoemacher
The NRP Group Development Experience

	Property	Rehab / NC	City	State	Units	Year	Type	Population	Credits	Total Credit Equity	Total Sources
1	**Costa Tarragona I**	NC	Corpus Christie	Texas	250	2005	4%	Family	$900,333	$8,251,000	$21,523,478
2	**Costa Valencia**	NC	San Antonio	Texas	230	2005	4%	Family	$838,663	$8,386,627	$21,037,911
3	**San Juan Square I**	NC	San Antonio	Texas	143	2005	9%	Family	$1,000,000	$8,999,100	$14,527,681
4	**The Alhambra**	NC	San Antonio	Texas	140	2005	9%	Senior	$946,988	$8,721,088	$13,142,765
5	**Costa Almadena**	NC	San Antonio	Texas	176	2006	4%	Family	$734,966	$7,127,745	$18,533,664
6	**Costa Mirada**	NC	San Antonio	Texas	212	2006	4%	Family	$885,339	$8,586,076	$21,735,075
7	**Costa Verde**	NC	Clute	Texas	188	2006	4%	Family	$798,840	$7,809,562	$19,685,549
8	**Commons of Grace**	NC	Houston	Texas	108	2007	9%	Senior	$708,807	$6,071,940	$10,848,812
9	**San Juan Square II**	NC	San Antonio	Texas	138	2007	9%	Family	$1,200,000	$11,397,720	$17,357,843
10	**Costa Esmeralda**	NC	Waco	Texas	112	2008	9%	Family	$1,086,058	$8,738,192	$13,068,093
11	**Four Seasons at Clear Cre**	NC	Fort Worth	Texas	96	2008	9%	Family	$921,081	$7,402,558	$12,528,049
12	**The Gibraltar**	NC	Clute	Texas	48	2008	9%	Senior	$627,942	$5,633,181	$7,035,905
13	**Costa Vizcaya**	NC	Houston	Texas	252	2008	4%	Family	$1,087,975	$10,243,000	$29,044,280
14	**Cooper's Pointe**	NC	Burgaw	North Carolina	64	2008	9%	Family	$523,456	$4,711,104	$6,888,880
15	**Egret Pointe**	NC	Winnabow	North Carolina	64	2008	9%	Family	$515,000	$4,738,000	$6,922,500
16	**Casa Brazoria**	NC	Clute	Texas	36	2009	9%	Family	$876,319	$7,138,572	$8,606,399
17	**Crestshire Village**	NC	Dallas	Texas	74	2009	4%	Family	$1,117,243	$9,024,289	$11,187,883
18	**Golden Bamboo Village II**	NC	Houston	Texas	116	2009	9%	Family	$1,621,465	$11,218,294	$15,442,100
19	**Woodmont Apartments**	NC	Fort Worth	Texas	252	2009	4%	Family	$1,029,811	$8,546,575	$28,984,958
20	**Alderbrook Pointe**	NC	Washington	North Carolina	64	2009	9%	Family	$599,000	$5,690,500	$8,113,125
21	**Costa Tarragona II**	NC	Corpus Christie	Texas	96	2010	9%	Family	$1,333,459	$9,465,663	$12,540,429
22	**Race Street Lofts**	NC	Fort Worth	Texas	36	2010	9%	Family	$592,207	$4,026,202	$6,762,739
23	**Terrell Homes**	NC	Fort Worth	Texas	54	2010	9%	Family	$1,136,782	$9,404,990	$12,242,294
24	**Tierra Pointe**	NC	Karnes City	Texas	80	2010	9%	Family	$8,597,850	$8,529,121	$10,520,841
25	**Montabella Pointe**	NC	San Antonio	Texas	144	2010	9%	Family	$1,731,393	$13,848,374	$17,635,354
					3173				**$31,410,977**	**$203,709,473**	**$365,916,607**

All 25 deals shown above were developed by Matt Shoemacher as Vice President of The NRP Group, LLC and NRP Holdings, LLC

Corporate Resumé and Qualifications of

KAY-KAY REALTY CORP.
6908 E. Thomas Road, Suite 300
Scottsdale, Arizona 85251
(480) 994-1999
www.kaykayrealty.com

Kay-Kay Realty Corp., an Arizona corporation, has been actively engaged in property and asset management since its inception in 1979. The firm is not involved in brokerage or development; operations are limited to third-party management and training engagements.

KKR is both a HUD approved property management firm and an Accredited Management Organization as certified by the Institute of Real Estate Management. Current clients include JPMorgan Chase Bank, U.S. Bancorp, U.S. Bank, SunAmerica, as well as several private investment partnerships.

KKR has particular expertise in the management and supervision of multifamily residential properties. KKR currently provides asset management or compliance management services to approximately 400 properties in 17 states. On-site management is currently available in Arizona, Oklahoma, Nevada, New Mexico, Utah and Wisconsin.

Kay-Kay is not an arm of a development or brokerage firm and represents the sole livelihood of the two principals. All asset management and training services are handled by the firm's principals, a unique composition of two close professionals with complementary areas of expertise. Educational backgrounds in accounting, economics, finance, systems management, and property management complement business careers in the national real estate market.

In addition to on-site management, the firm's key personnel have extensive experience in leading training programs. Mike speaks regularly on LIHTC compliance issues to such notable organizations as MULTIHOUSING WORLD, IPED, the National Housing & Rehabilitation Association, and the National Council of State Housing Agencies. Michael and David both have taught real estate management classes to brokers and salespersons at various schools in Arizona.

The following provides a brief outline of the key personnel of Kay-Kay Realty Corp.:

Michael Kotin	Principal
David Kotin	Principal

MICHAEL KOTIN, Principal is a CPA and a licensed real estate broker with extensive tax and accounting expertise in real estate and Property Management. Mike is also an instructor in real estate in Arizona, teaching classes in Section 8 procedures, the Fair Housing Act, leasing, Low Income Housing Tax Credit compliance (including Housing Credit Certified Professional courses), and management best practices. Mike also travels extensively and is a regular speaker and contributor to Institute for Professional and Executive Development, National Housing & Rehabilitation Association, National Council of State Housing Agencies and other industry groups. He is widely acknowledged as an expert in tax credit, bond, and Rural Housing Service compliance administration.

DAVID KOTIN, CPM®, HCCP®, Principal is the head of the Property Management division, and is responsible for all on-site Property Management functions including all aspects of day-to-day operations. David is a Certified Property Manager and a real estate broker in Arizona and Wisconsin. In addition to supervision of the on-site staff, David is in charge of budgeting, cash management, and serves as trustee in court receivership appointments. David served as the Senior Asset Manager for Western Savings & Loan's extensive real estate owned portfolio prior to Western's dissolution.

MICHAEL KOTIN
6908 E. Thomas Road, Suite 300
Scottsdale, AZ 85251
(480) 994-1999

Professional Career

EXPERIENCE:

08/88 - PRESENT and 07/79 - 06/82

Principal, KAY-KAY REALTY CORP.

Primary responsibility for administration of LIHTC asset management portfolio and consulting practice. Additional management responsibilities include supervision of accounting personnel and direction of financial reporting and tax matters for portfolio of managed properties.

02/85 - 07/88

Vice President, FEAU REALTY, INC.

Directly responsible for U.S. Asset Management portfolio held by parent, D. Feau, S.A., (France) and Naef et Cie (Switzerland). Portfolio included properties in Florida, Texas, Illinois, California, Virginia and Arizona and was comprised of raw land, trailer parks, a complete PUD subdivision, commercial offices, warehouses, apartments, and active crop farm. Financial responsibilities also included U.S. tax compliance and coordination of international tax matters. Served as point man on acquisition and sale negotiations.

07/82 - 01/85

COOPERS & LYBRAND, CPAs.
PEAT, MARWICK, MITCHELL & CO., CPAs.

Staff accountant for major "Big 8" accounting firms. Audit engagements included local banks, regional banks (including Valley National Bank of Arizona) and international money centers. Additionally, assignments included various real estate related audits and reviews.

ACCREDITATIONS:

- Arizona Society of Certified Public Accountants
- American Institute of Certified Public Accountants
- Licensed Real Estate Broker – Arizona, New Mexico & Utah
- Enrolled to Practice – Internal Revenue Service
- Institute of Real Estate Management Accredited Management Organization

EDUCATION:

- Masters of Business Administration, University of Chicago Graduate School of Business, 1983.
- Twin Bachelor of Arts Degrees in Economics and Business (BA), University of Chicago, 1981.

DAVID KOTIN
6908 E. Thomas Road, Suite 300
Scottsdale, AZ 85251
(480) 994-1999

Professional Career

EXPERIENCE:

03/90 - Present — **Principal, KAY-KAY REALTY CORP.**

President of management operations, with immediate responsibility for all on-site management personnel, management policies, and operating procedures. Principal direction of lease negotiations on commercial and industrial properties. Principal liaison with court for all receivership and trustee appointments. Oversight of Low-Income Housing Tax Credit compliance for all managed properties.

03/86 - 03/90 — **Senior Real Estate Property Manager and Assistant Vice-president, WESTERN SAVINGS AND LOAN, F.A., Real Estate Investment and Sales Division (REISD).**

Primary responsibilities included supervision of third-party managers of income-producing properties acquired through foreclosure. Duties included subcontractor selection, contract negotiation, and approval of all budgets. Additional duties included lease negotiations and tenant improvement coordination on over 1 million square feet of office space. Total book value of portfolio exceeded $500,000,000.

In addition to the above, the position included management of seven member staff responsible for all payables and receivables, the administration of taxes and insurance, and organization and maintenance of files for the real estate administration division.

08/84 - 03/86 — **Property Manager, GREAT WESTERN PARTNERS, LTD.**

This on-site management position for a newly opened 270-unit apartment development included all aspects of on-site management, as well as the implementation of the marketing plan.

ACCREDITATIONS, LICENSES & MEMBERSHIPS:

- Licensed Real Estate Broker – Arizona, Nevada & Wisconsin
- Phoenix Board of Realtors
- Accredited Management Organization
- Certified Property Manager
- Housing Certified Credit Professional

EDUCATION:

- Graduate School of Business (MBA), Arizona State University, 1986.
- Bachelor of Arts in Economics (BA), Occidental College, 1981.
- Institute of Real Estate Management Certified Property Manager (CPM), 1990.
- Continuing Education for CPM, HCCP, and Broker Licensing.

Management Experience: Communities Currently Managed

David Kotin, Team Member

Community Name	*Units*	*Type*	*Address*
* **Amber Pointe Apartments** (602) 296-5006 T (602) 296-5881 F Community Manager: Andrea Robidoux	56	Senior	4625 S. 7th Avenue Phoenix, AZ 85041 *amberpointe@kay-kay.biz*
* **Canyon Run Apartments** (928) 445-8963 T (928) 445-8263 F Community Manager: TBD	84	Senior	701 White Spar Prescott, AZ 86303 *canyonrun@kay-kay.biz*
* **Canyon Walk Apartments** (505) 662-8809 T (505) 662-8900 F Community Manager: Lisa Langley	70	Family	120 DP Road Los Alamos, NM 87544 *canyonwalk@kay-kay.biz*
* **Casamera Apartments** (505) 863-2700 T (505) 863-2701 F Community Manager: Kay Abrams	72	Family	350 S. Basilio Drive Gallup, NM 87301 *casamera@kay-kay.biz*
* **Center Ridge Apartments** (928) 474-9311 T (928) 474-9690 F Community Manager: Chandy Cofferen	48	Family	105 East Main Street Payson, AZ 85541 *centerridge@kay-kay.biz*
* **Creekview Village Apartments** (928) 541-9960 T (928) 445-8263 F Community Manager: Briana Newcomer	78	Family	519 Miller Valley Road Prescott, AZ 86301 *creekview@kay-kay.biz*
* **Crystal Pointe Apartments** (602) 971-9724 T (602) 493-5657 F Community Manager: Susana Soliz Sanchez	191	Family	15826 N. 32nd Street Phoenix, AZ 85032 *crystalpointe@kay-kay.biz*
Desert Leaf Apartments (480) 834-2228 T (480) 834-2071 F Community Manager: Jessica Patterson	20	Family	44 S. Horne Road Mesa, AZ 85204 *desertleaf@kay-kay.biz*

Community Name	*Units*	*Type*	*Address*
* **Eagle Cove Apartments** (928) 333-3938 T (928) 333-3950 F Community Manager: Amanda Love	48	Family	1856 E. Apache Drive Eagar, AZ 85925 *eaglecove@kay-kay.biz*
* **Erie Apartments**	6	Family	1101 W. Erie Street Chandler, AZ 85225
* **Foster Park Apartments** (918) 681-4651 T (918) 687-1584 F Community Manager: Kathie Cron	20	Family	617 Staack Stroud, OK 74079 *fosterpark@kay-kay.biz*
* **Hayden Apartments**	7	Family	938 N. Hayden Road Scottsdale, AZ 85257
Hayden Square Apartments (928) 783-0554 T (928) 376-7258 F Community Manager: Viridiana Lafarga	94	Family	2100 S. Avenue A Yuma, AZ 85364 *haydensquare@kay-kay.biz*
* **Indigo Pointe Apartments** (602) 441-3347 T (602) 441-3417 F Community Manager: Andrea Robidoux	72	Family	475 N. 43rd Avenue Phoenix, AZ 85009 *indigopointe@kay-kay.biz*
* **La Mariposa Senior Villas** (928) 314-3344 T (928) 314-3345 F Community Manager: Jasmin Serrato	59	Senior	701 E. 24th Street Yuma, AZ 85365 *lamariposa@kay-kay.biz*
* **La Mesita Apartments** (480) 969-5233 T (480) 833-0121 F Community Manager: Bonita Frazier	80	Family	2254 W. Main Street Mesa, AZ 85201 *lamesita@kay-kay.biz*
* **La Mesita Apartments Phase 3** (480) 969-5233 T (480) 833-0121 F Community Manager: Bonita Frazier	30	Family	2245 W. Ella Street, Bldg. C Mesa, AZ 85201 *lamesita@kay-kay.biz*

	Community Name	*Units*	*Type*	*Address*
	La Mirada Apartments (928) 329-1473 T (928) 329-1595 F Community Manager: Rosa Valdez	80	Family	3900 W. 22nd Lane Yuma, AZ 85364 *lamirada@kay-kay.biz*
*	**La Posada Apartments** (928) 343-7844 T (928) 343-7846 F Community Manager: Angie Murguia	80	Family	1900 W. 30th Street Yuma, AZ 85364 *laposada@kay-kay.biz*
*	**La Posada II Apartments** (928) 343-7844 T (928) 343-7846 F Community Manager: Angie Murguia	64	Family	1980 W. 30th Street Yuma, AZ 85364 *laposada@kay-kay.biz*
*	**La Terraza Apartments** (505) 324-6201 T (505) 564-3792 F Community Manager: Jessica Webb	72	Family	900 Cannery Court Farmington, NM 87401 *laterraza@kay-kay.biz*
*	**Libertad Glendale** (623) 322-5777 T (623) 322-6077 F Community Manager: Maria Olaguez	108	Family	6529 W. Ocotillo Road Glendale, AZ 85301 *libertad@kay-kay.biz*
*	**Lincoln Senior Apartments** (775) 250-8230 T (775) 728-4232 F Community Managers: Kathy Hale	52	Senior	200 Miller Lane Caliente, NV 89008 *lincoln@kay-kay.biz*
*	**Lofts@10 Apartments** (602) 633-2712 T (602) 687-9167 F Community Manager: Michalle Spath	78	Family	2247 E. Van Buren Street Phoenix, AZ 85006 *lofts@kay-kay.biz*
*	**Marble Canyon Manor** (928) 763-3434 T (928) 704-0040 F Community Manager: Fran Burdett	132	Family	1627 Mohave Drive Bullhead City, AZ 86442 *marblecanyon@kay-kay.biz*
*	**Meridian@101 Apartments** (480) 247-9972 T (480) 718-5707 F Community Manager: Jessica Patterson	76	Senior	2148 E. Apache Blvd. Tempe, AZ 85281 *meridian@kay-kay.biz*

	Community Name	*Units*	*Type*	*Address*
*	**Mirabella Senior Apartments** (602) 314-4174 T (602) 314-4274 F Community Manager: Siobhan Stevens	80	Senior	5609 S. Central Avenue Phoenix, AZ 85040-3052 *mirabella@kay-kay.biz*
*	**Mountain View Senior Apartments** (575) 388-1214 T (575) 388-4390 F Community Manager: Yvette Valenzuela	69	Senior	1600 16th Street Silver City, NM 88061 *mountainview@kay-kay.biz*
*	**Newport at Amphi** (520) 771-6392 T (520) 771-6807 F Community Manager: Melissa Martinez	40	Family	3601 N. Stone Avenue Tucson, AZ 85705 *amphi@kay-kay.biz*
*	**Overton Senior Apartments** (702) 810-2711 T (702) 397-3333 F Community Manager: Wayne Johnson	20	Senior	130 S. Conley Street Overton, NV 89040 *overton@kay-kay.biz*
*	**Rio Viejo Apartments** (520) 325-5418 T (520) 325-5419 F Community Manager: Marcia Lopez	100	Family	5418 South Park Avenue Tucson, AZ 85706 *rioviejo@kay-kay.biz*
*	**Rosewood Court** (602) 237-6857 T (602) 466-3629 F Community Manager: Amy Roberts	50	Family	5104 N. 16th Avenue Phoenix, AZ 85015 *rosewood@kay-kay.biz*
*	**Rosewood Court II** (602) 237-6857 T (602) 466-3629 F Community Manager: Amy Roberts	35	Senior	5111 N. 16th Avenue Phoenix, AZ 85015 *rosewood@kay-kay.biz*
	Saguaro Gardens (520) 868-0648 T (520) 868-0649 F Community Manager: Jennifer Frazier	72	Family	1501 S. Highway 79B Florence, AZ 85132 *saguaro@kay-kay.biz*

	Community Name	*Units*	*Type*	*Address*
*	**San Tierra Apartments** (505) 438-4944 T (505) 438-4400 F Community Manager: Sylvia Martinez	86	Family	3991 Camino Juliana Santa Fe, NM 87507 *santierra@kay-kay.biz*
*	**Silver Cliffs Apartments** (575) 538-9000 T (575) 538-9100 F Community Manager: Norma Ramirez	80	Family	1414 Little Walnut Road Silver City, NM 88061 *silvercliffs@kay-kay.biz*
*	**South 25th Place Apartments** (918) 681-4651 T (918) 687-1584 F Community Manager: Kathie Cron	24	Family	1201 South 25th Place Muskogee, OK 74401 *south25thplace@kay-kay.biz*
*	**Summerhill Apts. I & II** (435) 703-9787 T (435) 703-9761 F Community Manager: Atu Nawatu	48	Family	1279 W. 360 North St. George, UT 84770 *summerhill@kay-kay.biz*
	Terracina Apartments (928) 539-0517 T (928) 539-0543 F Community Manager: Julia Perez	80	Family	1850 S. Avenue B Yuma, AZ 85364 *terracina@kay-kay.biz*
*	**The Revello** (602) 334-1015 T (602) 607-5265 F Community Manager: Monica Navarro	76	Senior	1600 W. Camelback Road Phoenix, AZ 85015 *revello@kay-kay.biz*
*	**Timberstone Apartments** (928) 437-3983 T (928) 532-0281 F Community Manager: Lena Dorrel	80	Family	100 W. Cooley Street Show Low, AZ 85901 *timberstone@kay-kay.biz*
*	**Timberstone Apartments II** (928) 437-3983 T (928) 532-0281 F Community Manager: Lena Dorrel	56	Family	100 W. Cooley Street Show Low, AZ 85901 *timberstone@kay-kay.biz*
*	**Tres Santos Apartments** (505) 988-2846 T (505) 988-2246 F Community Manager: Claudia Bedford	136	Family	1899 Pacheco Street Santa Fe, NM 87505 *tressantos@kay-kay.biz*

Community Name	*Units*	*Type*	*Address*
* **Trillium Homes** (608) 233-7990 T (608) 233-7995 F Community Manager: Stephanie Dahlgren	51	Family	2 Craig Avenue Madison, WI 53705 *trillium@kay-kay.biz*
* **Ventana Cove Apartments** (505) 865-5858 T (505) 865-9990 F Community Manager: Heather Anderson	72	Family	450 Los Cerritos Road Los Lunas, NM 87031 *ventanacove@kay-kay.biz*
Villa Nueva Apartments (928) 329-8002 T (928) 376-0664 F Community Manager: Annakaren Reyes	80	Family	750 S. 15th Avenue Yuma, AZ 85364 *villanueva@kay-kay.biz*
* **Villa Serena Apartments** (928) 376-0407 T (928) 376-0408 F Community Manager: Marta Garcia	80	Family	2351 S. 37th Avenue Yuma, AZ 85364 *villaserena@kay-kay.biz*
* **Washington Pointe Apartments** (602) 253-3400 T (602) 253-0068 F Community Manager: Lydia Flores	54	Senior	1555 E. Washington Street Phoenix, AZ 85034 *washingtonpointe@kay-kay.biz*

* TAX CREDIT COMMUNITY

Current Unit Count: **3206**

Management Experience: Communities Previously Managed

Community Name	*Units*	*Location*
* Ajo Homes	5	Ajo, AZ
* Bella Vista	14	Tucson,AZ
Bella Vita	148	Bullhead City
* Brighton Place Apartments	80	Phoenix, AZ
* Cabbage Alley Apartments	56	New Orleans, LA
* Canyon Walk Apartments	156	Bullhead City, AZ
* Casa Cibola Apartments	8	Scottsdale, AZ
Catalina Village	152	Yuma, AZ
* Chandler Terrace Apartments	16	Chandler, AZ
* Colonia Del Rey Apartments	60	Chandler, AZ
* Colony Townhomes	28	Chandler, AZ
* Coolidge Station	24	Coolidge Station, AZ
Coral Gardens Apartments	118	Phoenix, AZ
* Covington Place	400	St. Louis, MO
* Delavan Townhomes	51	Kansas City, KS
* Desert Palms Apartments	96	Mesa, AZ
* Downing Square Apartments	50	Denver, CO
* Elwood Homes	25	Elwood, KS
* Faith House (Women=s Crisis Center)	16	Glendale, AZ
* Flores Apartments	10	Tucson, AZ
*Four Hills Apartments	72	Las Cruces, NM
* Glenn Verde Apartments	24	Tucson, AZ
* Harry Clark Residential Center	24	Mammoth, AZ
* Hidden Valley Village	60	Bloomfield, NM
* Johnson Square Apartments	180	Milwaukee, WI
*** Kachina Apartments	96	Casa Grande, AZ
* King's Court	18	Springfield, IL
* Kingman Place	24	Bullhead City, AZ
La Serena Apartments	160	Tempe, AZ
La Terraza	160	Phoenix, AZ
* Lincoln School Historic Apartments (senior)	64	Racine, WI
* Los Altos Apartments	72	Las Cruces, NM
* Main Street Townhomes	25	Clovis, NM
Manor Apartments	54	Phoenix, AZ
Maya Condominiums	332	Scottsdale, AZ

Community Name	Units	Location
* Maysville High School Apartments	30	Maysville, KY
* McKnight Senior Village	110	Las Vegas, NV
Mesquite Village	20	Texico, NM
* Mira Vista Villas	76	Las Cruces, NM
* Miracle Point Apartments	40	Tucson, AZ
Missouri Crossing	108	Phoenix, AZ
* Palm Cove Apartments	76	Mesa, AZ
* Palm Oasis Apartments	157	Phoenix, AZ
* Palm Terrace Apartments	180	Chandler, AZ
The Palms	16	Scottsdale, AZ
* The Palms (co-managed)	288	New Orleans, LA
** Paradise Harbor Apartments	60	Phoenix, AZ
* Parkcrest Village Apartments	80	Kingman, AZ
* Parkside Village	42	Clovis, NM
* Pickwick Plaza Apartments	233	Kansas City, MO
Pinchot Towers	104	Phoenix, AZ
* Rally Point Apartments	30	Tucson, AZ
* Roeser Senior Village	80	Phoenix, AZ
San Jose at Maddox Estates	60	Eloy, AZ
* Scottsdale Cheery Lynn Apartments	8	Scottsdale, AZ
* Scottsdale Palm Villas	9	Scottsdale, AZ
Scottsdale Villas Apartments	96	Scottsdale, AZ
Shelby's Creek Apartments	296	Las Vegas, NV
Silver Mesa Apartments	96	Casa Grande, AZ
* Somerset Village	72	Kingman, AZ
* Sonoma Palms	238	Las Vegas, NV
Sonoran Ridge Apartments	78	Tempe, AZ
* Spring Meadows Apartments	84	Springfield, IL
**** Spring Valley Manor	20	Mayer, AZ
* Spring Valley Terrace	20	Mayer, AZ
* St. Theresa Apartments	80	Baton Rouge, LA
* Stanford Court Apartments	436	Phoenix, AZ
* Storacle Point Apartments	66	Tucson, AZ
* Sueno Nuevo Apartments	17	Tucson, AZ
* Sun River Apartments	48	Edwardsville, KS
Sundowner Apartments	156	Phoenix, AZ
* Sunnyside Pointe Villas	90	Tucson, AZ

Community Name	*Units*	*Location*
* Sunnyside Pointe Villas II	92	Tucson, AZ
The Village at Lindsay Park	256	Mesa, AZ
* West Point Apartments	50	Tucson, AZ
* Whispering Palms	208	North Las Vegas, NV

* TAX CREDIT COMMUNITY
** SECTION 8
*** SECTION 8 & 515
**** 202

Major LIHTC Consulting Contracts

Michael Kotin, Team Member

Sun America Affordable Housing Partners, Inc.

JPMorgan Chase (Banc One) Community Development Corp.

Raymond James Tax Credit Funds

Mountain Plains Equity Fund

Red Capital Group

U. S. Bancorp

Housing & Management Plan for

THE FLATS ON BLUE HERON

INTRODUCTION

The Flats on Blue Heron is a planned 36-unit family development to be located at 2411 W. SR 89A, Sedona, Arizona 86336. The project will be rented to households whose incomes are at various strata of area median income. The majority of units will be subject to a LIHTC LURA which will provide for a mix of households at incomes under 40%, 50% and 60% of area median income. The mix will provide for an average income for these households under 60% of area median income. Rents will follow the LIHTC regulations and will be based upon the applicable set-aside and number of bedrooms in the unit. The funding sources for permanent housing are LIHTC, Soft Funds and volume cap tax-exempt bonds.

Kay-Kay Realty Corp. ("Kay-Kay") will be engaged by the Managing Member to handle the day-to-day operations under a written management agreement. Kay-Kay is licensed to do business in Arizona and maintains an Arizona broker's license. Kay-Kay has national expertise in properties that are operated under LIHTC, tax-exempt bonds, HOME, and other programs.

The borrower and property manager agree to provide FULL access to the project books and records for review by the partners, lenders and government agencies responsible for program administration at any time upon request.

POLICIES AND PROCEDURES

Kay-Kay has an extensive, established Policies and Procedures Manual which shall be implemented at the site. In addition, Kay-Kay maintains personnel policies and procedures, tax credit policies and procedures, and systems for extensive training programs. Kay-Kay's policies foundation lies in proactive management in compliance with all programs and with the Landlord/Tenant Act. We focus on tenant selection, preventative maintenance and high quality/well supervised staff in order to minimize expense while meeting all requirements.

STAFFING

Primary management functions at VOS and SL shall be performed by on-site staff under the supervision and control of Kay-Kay Realty Corp., which will ensure compliance with LIHTC and Kay-Kay Realty Corp. policies.

We intend to staff the properties with a shared community manager who will have primary responsibility for showing units, collecting rents, and obtaining leasing and LIHTC paperwork. We will also engage a shared maintenance person to cover cleaning, minimal exterior/landscaping responsibilities, unit painting, work orders, grounds pick up, unit make-ready, and routine preventive services such as monthly unit services, filters and smoke detector checks.

Both employees will report directly to an area manager who is responsible for the Yavapai region. This employee is based in Prescott which is about 45 minutes away. Emergency coverage will be available from other Kay-Kay managed properties in Prescott and/or Flagstaff.

REPAIRS AND MAINTENANCE

Our budget plans for in-house maintenance for most routine functions, including painting, work orders, unit make-ready, and landscaping. Given the extensive demand for low-income housing in Sedona, we anticipate minimal turnover. However, we would develop accounts with local vendors for maintenance and services that either the site staff cannot perform or to cover excessively busy times. We plan to vend landscaping, snow removal, carpet cleaning, pest control and flooring replacements. Regular unit inspections shall be completed by on-site maintenance staff to assure proper preventative maintenance is practiced, including filter changes, smoke alarm checks and moisture issues are identified.

AFFIRMATIVE MARKETING

Rental rates will at all times be in compliance with Program set-asides and adjusted to local market constraints. Pets, including small dogs, will be permitted. Advertising will be done through local sources, if required as well as management's web site. Deposits will follow Kay-Kay standard practices consistent with legal and local constraints.

INITIAL LEASE-UP

Given the huge demand for affordable housing in Sedona, management anticipates implementing a lottery system for the allocation of the units. From 50,000 feet, the system will provide for an open "application" period during which interested households can submit their name for inclusion in the lottery. At an established cutoff date (to be determined based upon actual construction timetable), the list will be closed. We will then create a random number for each interested household. Allocation of the units will start with those having the highest number on down. Obviously, actual tenancy will be subject to the household meeting LIHTC and other management qualification standards.

BANKING

Consistent with Kay-Kay's corporate policies and Arizona real estate law, separate bank accounts are maintained for each property, with all deposits and expenses flowing appropriately through each account. An on-site scanner will be utilized, if cost effective.

Financial statements shall be prepared monthly, and funds delivered to ownership consistent with the time frame provided within the Management Agreement and Arizona law.

ACCOUNTING

Kay-Kay Realty Corp. utilizes MRI Software, a leading property management software. The Resident Management, Accounts Payable and General Ledger modules are utilized. The rent rolls are maintained at the corporate office level and bills are paid out of the corporate office as well. Procedures are in place to maintain books in accordance with Generally Accepted Government Auditing Standards. Monthly bank reconciliations are prepared by staff with no signature authority over the accounts to ensure the separation of duties. Tenant income reporting is maintained by the Compliance Department of Kay-Kay Realty Corp. on separate proprietary software. Scheduled maintenance is handled at the property level using a simple three-part paper system. Financial statements are sent to the owner by the 15th of the following month. Financial statements are also sent to investor partners and/or lender on a periodic basis (usually quarterly) as requested. Additional forms and reports are always available upon request.

PROGRAM COMPLIANCE

Kay-Kay will review the Partnership Agreement, the Land Use Restriction Agreement and financing covenants to confirm the required obligations. The LIHTC income averaging rules are complex and require a high level of compliance oversight to ensure that the average income across all households does not exceed the program maximums. Kay-Kay will follow conservative industry standard to create a mix at approximately 55% of area median which will permit changes to strata on recertification without creating non-compliance. All new move-ins and recertifications are reviewed and approved prior to move-in by an HCCP certified professional. This proactive approach will reduce the possibility of permitting non-qualified households to move in.

SUPERVISON

Kay-Kay corporate staff will plan monthly visits to the sites as well as provide daily phone support.

KEY PERSONNEL

It is anticipated that responsibility for management will be handled by the following personnel:

Name	Position	Years with KKRC	Years in Industry
Michael Kotin	Vice President	45	45
Kim Givens	Division Manager	11	28
Briana Newcomer	Area Manager	2	3
TBD	Property Manager	TBD	TBD

Compliance Monitoring Plan

The Flats on Blue Heron

The property will be managed by Kay-Kay Realty Corp. Kay-Kay Realty Corp. is an Arizona-based property management company specializing in multifamily property management. The firm has been actively managing apartments in Arizona since its inception in 1979. The firm is an Accredited Management Organization (Institute of Real Estate Management). The firm's principals hold Arizona Real Estate Broker licenses, CPA licenses, and CPM designations. Both principals hold their HCCP designation. Michael Kotin, one of the principals, was on the founding board and development committee with NAHB which created the HCCP program. Michael was on the test development committee on the first exam version and the review committee on the second version.

In addition to more than twenty properties in Arizona, Kay-Kay Realty Corp. currently manages tax credits in Nevada, New Mexico, Oklahoma, Utah, and Wisconsin. All principals, division managers, and members of the compliance department – 10 in all – have HCCP certifications.

In addition to the properties which they manage, Kay-Kay Realty Corp. provides consulting services on LIHTC matters to several syndicators including AIG (Sun America), JPMorgan and USBank. The principals are regular speakers at industry training workshops for IPED and NCSHA.

With respect to the specific criteria contained in the QAP:

A. Experience of Ownership and upper management:

The Developer will be responsible for ensuring that the books and records of ownership are sufficient to meet the various requirements necessary to complete the 8609 process. Included in this list is an accounting of all monies disbursed by us which are claimed in eligible basis.

Kay-Kay will be responsible for ensuring that the property meets the ongoing recordkeeping requirements for tax credit properties contained in IRC Section 42. In addition to maintaining tenant files which meet the documentation requirements contained in 1.42-5, Kay-Kay will be responsible for accounting for monies received and spent and ensuring that the physical condition of the property meets the HQS requirements established by ADOH.

6908 East Thomas Road ▲ Suite 300 ▲ Scottsdale, Arizona 85251 ▲ (480) 994-1999 ▲ Telefax (480) 994-9121

LIHTC file compliance experience of the firm's key professionals is shown below:

	With Kay-Kay	In Industry
Michael Kotin	42 years	42 years
David Kotin	31 years	31 years
Keri Borst	15 years	28 years
Mitzi Gleekel	26 years	26 years
Stacey Deal	20 years	20 years
Jeannette Harris	17 years*	17 years

*31 years with Kay-Kay; 17 years assigned to LIHTC-related duties

As it pertains to the books and records of the property, Kay-Kay has two licensed CPAs with, collectively, over 50 years of experience in residential property management. The physical condition of the property is guided by an extensive property policies and procedures manual which contains protocol for all aspects of daily operations. David Kotin is a CPM with extensive experience in physical asset management.

B. Experience / Training of on-site Staff:

The number of years experience for the various managers falls within a range. The most senior on-site manager has been with Kay-Kay for 20 years. Kay-Kay always attempts to hire the most qualified and experienced manager possible. For smaller properties, it is not always possible to afford (and to attract) personnel with five years experience in tax credit management. In these situations, Kay-Kay hires the most qualified person in the property management field, knowing that the compliance department, supervisory staff, and ownership will be able to train and supervise the on-site staff.

On-site staff and home office compliance department staff attend ADOH sponsored training workshops (both for qualification compliance as well as HQS and physical condition compliance). In addition, the firm provides regular in-house training. All staff attend Kay-Kay compliance training at least once a year.

C. Unresolved non-compliance:

To the best of our knowledge, there is currently no unresolved non-compliance with ADOH, or any other state agency associated with Kay-Kay Realty Corp. Please note that Kay-Kay has, on several occasions, stepped into management of troubled LIHTC properties – some of which had existing non-compliance issues. In all cases, the non-compliance has been corrected and the properties returned to stabilized status. Over the years, Kay-Kay managed properties have received a few 8823s for minor physical issues; all have been reported as corrected.

D. Compliance Monitoring Requirements:

Kay-Kay affirms that (with the exception of signing the annual Owner's Certification of Continuing Compliance in 8.2(H), that the firm is competent to handle all the responsibilities outlined in the Qualified Allocation Plan.

Prepared by: _____

Michael Kotin
Kay-Kay Realty Corp.

EXHIBIT B

LEASE OPTION AGREEMENT

This lease option agreement (the "Option Agreement") is entered into this ___ day of _____, 2025, by and between the City of Sedona, an Arizona municipal corporation ("Optionor" or "City") and _____ ("Optionee" or "Developer").

RECITALS

WHEREAS, the City of Sedona ("City") is the owner of vacant land located at 2411 W State Route 89A, Sedona, AZ 86336, also known as Yavapai County APN 408-24-023A, containing approximately 1.81 acres and being more particularly described in the Legal Description attached as **Attachment A** to this Option Agreement (the "Option Property"); and

WHEREAS, City issued Request for Proposal No. 25-12RFP soliciting sealed proposals from qualified developers with sufficient experience and capacity to build, finance, and manage Low-income Housing Tax Credit (LIHTC) affordable housing units on the City-owned land; and

WHEREAS, Award of Request for Proposal No. 25-12RFP is contingent upon: 1) developer applying for a 9% LIHTC through the Arizona Department of Housing by the April 1, 2025 application deadline, and 2) developer being selected by the Arizona Department of Housing to receive a 9% LIHTC award pursuant to the 2024-2025 Qualified Allocation Plan (QAP): and

WHEREAS, Optionee was selected by City as the developer for Request for Proposal No. 25-12RFP; and

WHEREAS, City is entering into this short-term Lease Option Agreement in order for Optionee to demonstrate site control in its 9% LIHTC Application Form.

WHEREAS, City desires to lease to Optionee and Optionee desires to lease from City the Option Property solely for the purpose of constructing and operating a multi-family, income-based rental housing project, subject to Optionee being selected to receive a 9% LIHTC award; and

WHEREAS, City has agreed to grant Optionee the option to lease the Option Property on the terms and conditions hereinafter set forth.

Now, therefore, in consideration of the foregoing and the mutual promises and agreements contained herein, and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged by both parties, the parties agree as follows:

AGREEMENT

1. Grant of Option. In consideration of the payment of One Hundred Dollars ($100), City hereby grants Optionee the exclusive option to lease the Option Property through July 2, 2025, on the terms and conditions hereinafter described and upon execution of a mutually acceptable lease agreement. If City satisfies the conditions imposed upon City by this Option Agreement and Optionee does not

exercise this option, the payment made pursuant to this paragraph shall be retained by City, free and clear of all claims by Optionee.

2. Method of Exercise of Option. Optionee may exercise its option to lease the Option Property, at any time after the date hereof and prior to the expiration of the Term (as hereinafter defined), by written notice to City that it has fulfilled the terms of the option. The date that notice is given shall be referred to in this Option Agreement as the "Option Exercise Date."

3. Rent and Terms of Lease. The rent and terms of the lease shall be substantially as set forth in **Attachment B** attached hereto and incorporated herein by this reference. If Optionee exercises its option to lease the Option Property, the lease provides that Optionee will pay City annual base rent for the Option Property commencing on the expiration of the Construction Term of TWELVE THOUSAND DOLLARS ($12,000.00) per year and this amount shall increase by an escalation factor of FIVE THOUSAND DOLLARS ($5,000.00) every five (5) years, with the first increase effective five years after the expiration of the Construction Term.

4. Term of Option. Unless extended in writing by mutual agreement of the parties, the option granted hereunder shall expire upon the earlier of: Optionee not being selected by the Arizona Department of Housing to receive a 9% LIHTC award pursuant to the 2024-2025 QAP, or execution of a mutually acceptable lease agreement for the Option Property, or on July 2, 2025.

5. Notices. All notices required or permitted to be given hereunder shall be in writing and shall become effective upon personal service or seventy-two (72) hours after being deposited in the United States mail, certified or registered mail, postage prepaid and addressed as shown below or to such other address as the parties may, from time to time, designate in writing.

Optionor: City of Sedona
City Manager
102 Roadrunner Drive
Sedona, AZ 86336

Optionee: _____
_____
_____
_____

6. Time. Time is of the essence for all periods specified in this Option Agreement.

7. Attorneys' Fees. In the event of any litigation or other proceeding concerning this Option Agreement, the prevailing party shall be entitled to recover its costs, reasonable attorneys' fees, and other reasonable expenses.

8. Successors. This Option Agreement will run with the land and be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns. No assignment hereunder will be valid without the prior written consent of the other party hereto, which consent will not be unreasonably withheld or delayed.

9. Additional Documents. Optionor and Optionee shall each execute and deliver any and all additional documents that may be reasonably requested by the other party in order to document and perform properly under this Option Agreement.

10. Interpretation. This Option Agreement and the rights, duties and obligations of the parties hereto will be governed by and construed in accordance with the laws of the State of Arizona. This Option Agreement has been reached by negotiation between the parties and will therefore not be construed against the drafter of this Option Agreement.

11. Brokers. The parties each warrant and represent that they have not taken and will not take any action which would cause a broker's or finder's fee to be payable on any of the transactions described herein. Each party shall indemnify and hold the other harmless for, from and against any breach of this paragraph.

12. Property Ownership. Optionor represents that it did not acquire ownership of the Option Property from Optionee or any affiliate of Optionee.

13. Counterparts. This Option Agreement may be executed in one or more counterparts, each of which will constitute an original and all of which will constitute one and the same instrument.

14. Memorandum of Option. Simultaneously with the execution of this Option Agreement, the parties will execute a Memorandum of Option in the form attached hereto as **Attachment C**. Neither party shall record this Option Agreement, and any recordation will be limited to the memorandum described above.

In witness whereof, the parties have executed this Option Agreement as of the date first above written.

(Signatures on following page)

OPTIONOR:

CITY OF SEDONA, an Arizona

municipal corporation

_____

By: Scott M. Jablow, Mayor

ATTEST:

_____

JoAnne Cook
City Clerk

APPROVED AS TO FORM:

_____

Kurt W. Christianson
City Attorney

OPTIONEE:

_____

By: _____

Its: _____

Attachment A to Land Option Agreement

Legal Description of Option Property

LEGAL DESCRIPTION OF PROPERTY

THE LAND REFERRED TO HEREIN BELOW IS SITUATED IN THE COUNTY OF YAVAPAI, STATE OF ARIZONA, AND IS DESCRIBED AS FOLLOWS:

PARCEL 1:

A tract of land in the Southwest quarter of the Southeast quarter of Section 11, Township 17 North, Range 5 East of the Gila and Salt River Base and Meridian, Yavapai County, Arizona, described as follows:

BEGINNING at a point on the South line of said Section 11 that lies East 486.0 feet from the Southwest corner of the Southeast quarter of said Section 11;

Thence East 153.5 feet along said South line;

Thence North 460 feet, more or less, to the South right-of-way line of U.S. Highway 89-A;

Thence Southwesterly 154.9 feet along said right-of-way line;

Thence South 438.5 feet to the POINT OF BEGINNING.

PARCEL 2:

A tract of land in the Southwest quarter of the Southeast quarter (SW1/4 SE1/4) of Section Eleven (11), Township Seventeen (17) North, Range Five (5) East of the Gila and Salt River Base and Meridian, Yavapai County, Arizona, described as follows:

BEGINNING at a point on the South line of said Section Eleven (11), distant thereon, East 659.5 feet from the South quarter corner of said Section Eleven (11);

Thence North 0°04' West, 463.4 feet to the Southerly right of way line of State Highway 89A;

Thence along said Southerly Highway line, South 81°56' West (Highway bearing South 82°18' West) 20.0 feet to the Northeast corner of a tract owned by Lyle Price (Mingus Concrete);

Thence along the East line of said Price Tract, South, 460.6 feet to said South line of Section 11;

Thence along last said line, East, 20.4 feet to the POINT of BEGINNING.

Attachment B to Land Option Agreement

Form of Lease Agreement (SAMPLE)
(attached)

CITY OF SEDONA, ARIZONA

LAND LEASE AND LOAN AGREEMENT

(PLEASE DO NOT REMOVE-THIS IS PART OF THE OFFICIAL DOCUMENT)

LAND LEASE AND LOAN AGREEMENT

This Land Lease and Loan Agreement (this "Lease") is executed to be effective the ___ day of _____, 20___ ("Effective Date"), between the City of Sedona, an Arizona municipal corporation (the "City"), and _____ (the "Lessee"). City and Lessee are sometimes referred to herein collectively as the "Parties," or individually as a "Party."

RECITALS

WHEREAS, the City is the owner of vacant land located at 2411 W State Route 89A, Sedona, AZ 86336, also known as Yavapai County APN 408-24-023A, containing approximately 1.81 acres and being more particularly described in the Legal Description attached as **Exhibit A** of this Lease (the "Property"); and

WHEREAS, the City issued Request for Proposal No. 25-12RFP soliciting sealed proposals from qualified developers with sufficient experience and capacity to build, finance, and manage 35-50 Low-income Housing Tax Credit (LIHTC) affordable housing units (the "Project"), contingent upon the Successful Proposer: 1) applying for a 9% LIHTC award through the Arizona Department of Housing by the April 1, 2025 application deadline, and 2) being selected by the Arizona Department of Housing to receive a 9% LIHTC award; and

WHEREAS, Lessee was selected by the City as the Successful Proposer to Request for Proposal No. 25-12RFP; and desires to enter into this Lease with the City; and

WHEREAS, the Sedona City Council has approved of Lessee entering into this Lease with the City and requires that the Lease be executed within thirty (30) days of City Council approval; and

WHEREAS, the City desires to lease the Property to Lessee for a 30-year term for the construction of the Project and for its operation as an income-based rental housing project for the purpose of housing tenants with incomes of 40% - 60% of U.S. Department of HUD Yavapai County area median income ("AMI").

WHEREAS, at the end of the 30-year Lease term, the ownership of the Project and any improvements constructed on the Property reverts to City ownership; and

WHEREAS, the City has funds available in a certain amount to loan to Lessee for a term of 30 years; and

WHEREAS, Lessee desires to lease the Property solely for the purpose of constructing and operating a multi-family, income-based rental housing project; and

WHEREAS, Lessee desires to enter into a loan agreement with the City in accordance with the Loan Documents attached as **Exhibit D** to this Lease; and

WHEREAS, the Property is located in the City's Housing Development Area as declared in Resolution 2012-21 and this Lease is entered into under the authority of A.R.S. §9-441 et. seq., which declares municipal assistance in providing for the acquisition, construction or rehabilitation of housing a valid public purpose and authorizes municipalities to use its monies to aid the planning, undertaking and carrying out of housing development projects and authorizes the City the powers listed in A.R.S. §9-441.02; and

WHEREAS, the Parties acknowledge that the Project qualifies as an economic development activity; that the Project will assist in the creation and retention of jobs and will otherwise improve and enhance the economic welfare of the residents of the City by increasing access to affordable housing, stimulating further economic development in the City, , and by constructing public infrastructure improvements; that the City's participation in this Lease will serve legitimate economic development purposes as authorized by A.R.S. §9-500.11; and that the City's participation authorized by this Lease is not grossly disproportionate to the benefits the City will receive during the Lease and that in the absence of the City's participation the affordable housing Project would not be constructed; and

WHEREAS, 100% of the Project units will be restricted for affordable housing for tenants for thirty (30) years. This Lease is consistent with the City's Development Incentives and Guidelines for Affordable Housing ("DIGAH"), and the City's Community Plan in effect on the date of this Lease.

WHEREAS, Lessee desires to use the Property for the Project in accordance with the Sedona Land Development Code and subject to the terms and conditions of this Lease; and

WHEREAS, the City is willing to lease the Property to Lessee on the terms and conditions specified below.

AGREEMENT

THEREFORE, in consideration of the following mutual covenants and conditions, the parties hereby agree as follows:

1. The Recitals set forth at the beginning of this Lease are deemed incorporated herein, and the Parties hereto represent they are true and correct.

LEASE; PRIVILEGES; RESTRICTIONS; RESERVATIONS.

A. The City hereby leases the Property to Lessee and grants to Lessee the following privileges, uses and rights, subject to and conditioned upon Lessee's full, timely, complete, and faithful performance of all terms and conditions:
    1. (a) Lessee will be deemed the sole owner of the Project, (b) Lessee alone will be entitled to all of the tax attributes of ownership of the Project for the term of the lease and (c) Lessee will have the right to amortize capital costs and to

claim any other federal or state benefits attributable to the Project improvements.

2. So long as Lessee is not in default of its obligations hereunder, City shall not transfer, encumber or otherwise dispose of the Property or any interest therein without the consent of Lessee.

3. In addition to said general privileges, uses and rights, the City grants to Lessee the right to construct and operate the Project on the Property, provided Lessee complies with all applicable federal, state, and local laws, building and fire codes.

B. Lessee hereby accepts the Property and the terms and conditions of the Lease. Lessee shall not use the Property for any purposes other than those specified in this Lease.

2. TERM.

A. The construction term of this Lease shall commence on the Effective Date and continue for a term of two (2) years or until the Certificate of Occupancy is issued, whichever comes first (the "Construction Term"). Actual construction on the Project shall begin no later than one (1) year after the Effective Date. In no event shall the Construction Term last longer than two (2) years. If Lessee fails to begin construction within one (1) year from the Effective Date, City may terminate this Lease. If Lessee fails to complete construction and obtain a Certificate of Occupancy within two (2) years from the Effective Date, City may terminate this Lease.

B. Upon termination of this Lease by either Party for any reason specified in this Lease, City shall have no obligation to reimburse Lessee for any of its costs or expenses incurred as a result of this Lease, including costs and expenses for the Project and any other improvements.

C. The original term of this Lease shall be for a period of thirty (30) years commencing on the expiration of the Construction Term and expiring on the same date thirty (30) years later, unless sooner terminated pursuant to the provisions contained in this Lease.

3. RENT.

A. Commencing on the expiration of the Construction Term, rent shall be TWELVE THOUSAND DOLLARS ($12,000.00) per year and this amount shall increase by an escalation factor of FIVE THOUSAND DOLLARS ($5,000.00) every five (5) years, with the first increase effective five years after the expiration of the Construction Term.

B. Within thirty (30) days of the expiration of the Construction Term, Lessee shall pay, without notice and free from all claims, deductions or set-offs against the City, the first annual rent payment in the amount of TWELVE THOUSAND DOLLARS ($12,000.00).

C. Each year, within thirty (30) days of the anniversary date of the expiration of the Construction Term of this Lease, Lessee shall pay, without notice and free from all claims, deductions or set-offs against the City, the annual rent payment in the amount specified in Paragraph A of this Section, including any applicable escalation amount.

D. If Lessee fails to pay any rent in full on or before the annual due date, Lessee shall be responsible for interest on the unpaid principal balance at the rate of 18% per annum from the due date until payment in full is made.

4. UTILITIES.

Lessee will pay for all charges, fees, deposits and other amounts for utility connections and for utilities used at the Property. Any changes to utility facilities shall be strictly limited to the Property and shall be undertaken by Lessee at its sole cost and expense.

5. IMPROVEMENTS.

A. Lessee shall have the right to construct a 35-50 unit apartment complex and related improvements (collectively, sometimes referred to herein as the "Improvements" or the "Project") on the Property.

B. Before commencing construction of the Project or any other improvements or modifications on the Property, Lessee shall submit detailed construction plans and specifications to the City. Upon completion of any improvements or modifications, Lessee shall furnish to the City two (2) complete sets of detailed plans and specifications of the work as completed. Prior to the start of any construction of improvements or modifications to the Property, Lessee shall secure all applicable building permits and approvals from the City. In addition, Lessee shall furnish any additional information concerning any proposed improvements or modifications, which the City may deem necessary with regard to the safety of the Property and Project. Use of the Property is hereby restricted to affordable housing and related uses and the Property may not be used for any other purpose without the prior written consent of the City, which may be given or withheld at City's sole discretion.

C. Design Requirements. All of Lessee's improvements, which includes the Project, shall comply with the following design requirements:

1. All Lessee's improvements shall be contained entirely within the Property and without any encroachment or dependence upon any other property, except that Lessee's improvements shall include construction of related curbs, gutters, pavement, landscaping, and other improvements the City determines to be appropriate in the public right-of-way.

2. All Lessee's improvements shall be designed so as to present uniformity of design, function, appearance and quality throughout and consistency with other buildings and improvements located in the vicinity of the Property.

3. All Lessee's improvements shall comply with all requirements of law, including the Sedona Land Development Code. Lessee shall be responsible to directly obtain all necessary permits and approvals from any and all necessary governmental agencies.

D. Lessee shall, at its own cost, finance and construct the Project. All improvements and modifications made by Lessee shall be constructed in a good, workmanlike manner.

E. City's consent shall not be required for minor changes deemed by Lessee during the course of construction to be necessary to complete construction as contemplated by the latest plans approved by the City. Minor changes are those that do not change compliance with the Sedona Land Development Code or materially alter the structure, size, layout, location, quality, appearance, functionality or other aspects of any area, feature, structure, or other aspects of any improvements. Lessee shall give to the City as much advance notice of any minor changes as is reasonably possible, and in any event, no less than ten (10) days prior to making such minor changes.

F. Prior to the start of any construction on the Property, Lessee or its contractor shall name the City as a dual obligee under the payment and performance bonds to be obtained by Lessee's general contractor with respect to construction of the Improvements, using the required Bond Forms provided in **Exhibit C**. Each bond shall be filed with the Yavapai County Recorder prior to commencement by Lessee of the Improvements on the Property.

G. Lessee shall keep the Property and all improvements free of any liens of any kind or nature for any work done, labor performed, or material furnished on or to the Property. If any such lien is filed, Lessee shall, at its sole cost, remove such lien from the Property within thirty (30) days from the filing of such lien.

H. In accordance with the requirements of the Construction Term of this Lease, Lessee will begin construction of the Project following the approval of the City and the issuance of a building permit. Lessee will diligently pursue construction of the improvements or modifications.

I. The Project, and all other improvements and modifications made by Lessee which become fixtures to the Property become the property of the City, at no cost to the City, upon the expiration or termination of this Lease, free of any security interest or claims of any kind from Lessee.

J. In the event the Property consists of more or less than any stated acreage or square feet, this Lease shall nevertheless continue and Lessee's obligations hereunder shall not be increased or diminished.

6. DUE DILIGENCE; ACCEPTANCE; MAINTENANCE; REPAIRS.

A. Lessee warrants that it has personally inspected the Property and has, at its own cost, conducted and completed any additional inspections, tests, or other due diligence of the

Property, without limitation, which Lessee determines is necessary for Lessee's intended use of the Property solely for the purpose of constructing and operating a multi-family, income-based rental housing project.

B. Lessee accepts possession of the Property and any current improvements thereon "as is" in its present condition, and subject to all limitations imposed upon the use thereof by federal, state and local law, and any other applicable limitations or restrictions, and Lessee acknowledges the suitableness and sufficiency of the Property for the uses permitted in this Lease. Except as may otherwise be specifically provided for herein, the City shall not be required to maintain or to make any improvements, repairs or restorations upon or to the Property, the Project, or to any of the improvements located thereon. Under no circumstances shall the City have any obligation to repair, maintain or restore the Project and any improvements placed upon the Property by Lessee.

C. Lessee shall be solely responsible, at its cost, for all repairs and maintenance whatsoever on the Property and shall maintain the Project and all improvements thereon in a good workmanlike manner, whether such repair or maintenance be ordinary or extraordinary, structural or otherwise, including following the lifetime maintenance schedule. Additionally, Lessee, without limiting the generality hereof, shall:

1. Keep at all times, in a clean and orderly condition and appearance, the Property, the Project, all improvements thereon and all of Lessee's fixtures, equipment and personal property which are located on any part of the Property; and

2. Be responsible for the maintenance and repair of all utility services lines and fire suppression systems placed on the Property and used by Lessee exclusively; and

3. Repair any damage caused by Lessee, or its agents, employees or invitees, to the Property or Project; and

4. Maintain the Property and Project in accordance with all applicable local building, plumbing and electrical codes, construction standards, environmental regulations, neighborhood preservation ordinances, zoning ordinances, and other ordinances.

D. If Lessee fails to maintain, clean, repair, replace, rebuild or repaint the Project within a period of thirty (30) days after written notice from the City to do any work required to be done by Lessee, the City may terminate this Lease or, at its option, enter the Property, without such entering causing or constituting a termination of this Lease or any interference with the possession of the Property, and repair, replace, rebuild or paint any part of the Property or the improvements thereon, and do all things reasonably necessary to accomplish the work required, and all costs thereof shall be payable to the City by Lessee on demand; provided that if in the opinion of the City, Lessee's failure to

perform any such maintenance endangers the safety of the public, the employees, the tenants or property of the City, and the City so states in its notice to Lessee, the City may, in its sole discretion, elect to perform such maintenance at any time after the giving of such notice, and Lessee shall pay to the City all costs of such work on demand. If the City, its officers, employees or agents undertake any work hereunder, Lessee hereby waives any claim for damages, consequential or otherwise, resulting therefrom. The foregoing shall in no way affect or alter the primary obligations of the Lessee as set forth in this Lease and shall not impose upon the City any obligations to be stated otherwise.

7. ADDITIONAL OBLIGATIONS OF LESSEE.

A. Except as expressly set forth herein, City will not make any expenditure in connection with the Property or the Project, and all costs, expenses and obligations of every kind relating to the Property and the Project, which may arise or come due during the Lease term will be paid by Lessee.

B. Lessee agrees to pay during the Lease term, all real estate taxes and special assessments assessed with respect to the Property, Project, and improvements and all personal property taxes assessed with respect to Lessee's personal property.

C. Lessee shall comply with all written instructions of the City in disposing of its trash and refuse and shall use a system of recycling and refuse disposal approved by the City.

D. Lessee shall not commit nor permit to be done anything which may result in the commission of a nuisance, waste or injury on the Property.

E. Lessee shall not do, nor permit to be done, anything which may interfere with the effectiveness or accessibility of the drainage system, sewerage system, fire protection system, sprinkler system, alarm system and fire hydrants and hoses, if any, installed or located on the Property.

F. Lessee shall not do, nor permit to be done, any act or thing upon the Property which may constitute a hazardous condition so as to increase the risks attendant upon the operations permitted by this Lease.

G. Lessee shall not use or allow the Property or Project to be used for short-term rentals (rental terms of less than thirty (30) days) or conversion to a condominium or otherwise divide the Property during the term of this Lease.

H. Tenant Selection. Prior to leasing any unit at the Property, Lessee will adopt written tenant selection policies and criteria ("Tenant Selection Policies") consistent with applicable federal laws and regulations, and approved in writing by the City, that are consistent with the purpose of providing affordable housing for low income families and provide for (1) the selection of tenants from written waiting lists in the chronological order of their application, insofar as is practicable, and (2) the prompt written notification to any rejected applicant of the grounds of any rejection. Lessee shall adhere to U.S. Department of

HUD's policies and procedures on tenant income verification as outlined in 24 C.F.R. Part 5, as amended.

I. Annual Audit Report and Review of Rents. Each year during the term of this Lease, Lessee shall provide a copy of an annual audit to the City for the previous twelve (12) months of operation of the Project. Additionally, the Lessee shall provide an annual occupancy report to the City providing income amounts of tenant occupied units, unit rent, employer, unit type and AMI bracket of each tenant. The books and records of the Lessee shall be made available to the City within fourteen (14) days after written request to the Lessee. Lessee will re-examine family income, composition, and rents for the units annually and new rents proposed by Lessee for units must be approved in writing by the City before taking effect.

J. Lessee Representations. Lessee represents and warrants that:

1. Lessee has the full right, power and authority to enter into and perform this Lease and each of the obligations and undertakings of Lessee under this Lease, and the execution, delivery and performance of this Lease by Lessee has been duly authorized and agreed to be in compliance with the Lessee's organizational documents.

2. As of the date of this Lease, Lessee knows of no litigation, proceeding or investigation pending or threatened against Lessee that may affect Lessee's ability to perform under this Lease, or any litigation, proceeding or investigation pending or threatened contesting the validity or enforceability of this Lease.

3. The execution, delivery and performance of this Lease by Lessee is not prohibited by, and does not conflict with, Lessee's organizational documents or any other agreements, instruments, judgments or decrees to which Lessee is a party or to which Lessee is otherwise subject.

4. Lessee has not paid or given, and will not pay or give, any third person any money or other consideration for obtaining this Lease, other than normal costs of conducting business and costs of professional services such as architects, consultants, engineers and attorneys and any licensed appraiser retained by the Lessee. Lessee has been assisted by counsel of its own choosing in connection with the preparation and execution of this Lease.

8. CITY LOAN.

A. City of Sedona Loan. Subject to the terms and conditions of this Lease and as set forth in the loan documents, the City shall provide the Lessee with a loan in an amount not to exceed _____ ($_____) ("City Loan") which Lessee shall use toward the development and construction of the Project and the Budget attached hereto as **Exhibit G**, "Budget", provided, further, that Lessee must complete each milestone of

the Project by no later than required in the schedule of performance (see **Exhibit F**, "Schedule of Performance"). The City Loan shall be evidenced by the City of Sedona Affordable Housing Loan Secured Promissory Note ("Promissory Note") and secured by the City of Sedona Affordable Housing Loan Deed of Trust and Assignment of Rents ("Deed of Trust") both executed by the Lessee of even date herewith, substantially in the forms attached hereto as **Exhibit D**, "Loan Documents" and incorporated herein by this reference. Prior to disbursement of any amount of the City Loan, Property Owner will execute the Deed of Trust and Promissory Note.

B. City Loan Repayment Terms. Lessee hereby unconditionally acknowledges and promises to repay the City Loan as follows: Lessee shall pay to City three hundred sixty (360) consecutive monthly payments, payable on the 1st day of each month, equal principal installments and interest payments ("Loan Payments"), commencing on the expiration of the Construction Term and upon the beginning of original term of this Lease. The City Loan will bear interest at 4.44 % (the January 2025 long-term Applicable Federal Rate compounded monthly ("AFR")).

C. City Loan Maturity Date. The entire unpaid principal balance and all accrued interest is due and payable three hundred sixty (360) months after expiration of the Construction Term, unless sooner terminated pursuant to the provisions contained in this Lease, whichever occurs first ("Maturity Date"), at which time Lessee shall pay City the entire outstanding principal amount and interest payments of the City Loan.

D. Disbursement of City Loan. Provided Lessee is otherwise in full compliance with the terms and conditions of this Lease, Lessee will be entitled to request disbursements from the City Loan at specified construction milestones based on the following disbursement schedule:

Construction Milestone	**Disbursement Amount**
60% total construction completion	1/2 Loan Balance minus 10% retention
90% total construction completion	1/2 Loan Balance minus 10% retention
100% total construction completion	Closeout Disbursement of 10% retention

Construction completion will be determined by comparing the work completed to the total work needed to complete the Project. Disbursement will be for the cost items (each a "Cost Item") reflected in the Budget; and the City will be obligated to disburse the Loan amounts in a timely manner upon delivery to the City in form and substance acceptable to the City, in accordance with the following terms and conditions:

1. Satisfactory supporting invoices, payment receipts, lien waivers, building permits, and such certifications by Lessee evidencing the reasonableness and

appropriateness of the costs of the Project as may be requested by the City (collectively, the "Supporting Documents").

2. Satisfactory evidence that the applicable lien periods have expired or, in lieu thereof, Lessee has received lien waivers or releases from all contractors, subcontractors, laborers and materialmen, and any materialmen's or mechanic's liens that may have been recorded have either been paid in full or Lessee has posted an appropriate surety bond to discharge the same.

3. The City may inspect the work completed that is the subject of a Request for Disbursement, or cause an inspection of the work completed to be conducted by a qualified architect or engineer of the City's selection, to verify the statements contained in the Request for Disbursement and Supporting Documents. After receipt of the required documents and completion of any inspection by or caused by the City, the City will compute the difference between the percentage of completion for each Cost Item approved by the City at the time of the current Request for Disbursement and the percentage of completion for each Cost Item approved by the City at the time of the immediately preceding approved Request for Disbursement, and will disburse an amount equal to 90% of the product of the percentage difference for each Cost Item and the total projected cost for each such Cost Item.

4. The remaining 10% of the City Loan will be disbursed upon delivery by Lessee of each of the following to the City:
   i. written request with Supporting Documents,
   ii. written certificate and warranty, in form and substance satisfactory to City, signed by Lessee, certifying the Project has been "substantially completed" in accordance with the plans. For purposes of this Lease, "substantially completed" means the development required by the Scope of Development and the plans is so substantially complete that it satisfies the City's minimum property standards as defined in the Land Development Code, all applicable building, plumbing and electrical codes, construction standards, environmental regulations and zoning ordinances, and all other requirements of the City and any other governmental authorities have been satisfied, including all inspections required by those authorities, and is ready to be occupied by tenants in accordance with this Lease, all as determined by the City.

5. If at any time it appears to the City the undisbursed portion of the City Loan and other sources of funds for construction are insufficient to pay for the completion of the Project, the City will not be required to make further disbursements unless and until within five (5) business days of delivery of notice from the City to Lessee of such deficit Lessee deposits with the City, in cash or instruments satisfactory to the City, the amount the City deems necessary to cure the deficit.

9. CONSTRUCTION CONTRACT REQUIREMENTS & PLANS.

A. Construction Contract. All construction contracts entered into by Lessee for the Project (each a "Construction Contract") will comply with applicable state law requirements, and will require the Project be commenced, executed and completed within the time limits set forth in the Schedule of Performance. Lessee will provide the City with copies of each Construction Contract, any amendments or substitutes approved by the City, and any and all other contracts executed pursuant to this Lease.

B. Construction Quality. Lessee will cause all work on the Project to be performed and installed with labor and materials of at least the quality normally used by builders of good reputation in similar projects in the Yavapai and Coconino County Arizona areas, and in a good and workmanlike manner, in substantial accordance with the construction plans (except for deviations approved in writing by all appropriate governmental authorities and by the City).

C. Contractors. Each Construction Contract will require the general contractor ("General Contractor") or the Lessee to obtain adequate builder's all-risk, fire, and general liability insurance coverage, from an insurance company and in amounts satisfactory to Lessee and the City, to ensure the completion of the Project and to prevent the Parties from incurring any liability for claims arising from the construction or development of the Project pursuant to this Lease. Said insurance will be in addition to and will not take the place of the insurance coverage requirements in **Exhibit B** and the indemnification provisions in Section 15 of this Lease. Lessee will obtain and furnish the City with verification that insurance has been obtained by the General Contractor prior to the commencement of construction of the Project. Each such Construction Contract shall require the General Contractor to furnish a bond or bonds covering the Contractor's faithful performance and completion and the payment of all obligations arising thereunder using the required Bond Forms provided in **Exhibit C** and with such insurance company or other surety as City may approve, which approval will not be unreasonably withheld.

D. Plans. Lessee will provide the City with detailed plans and specifications for the Project and any amendments thereto; a survey acceptable to the City which will include a site plan and a legal description, location of adjoining streets (or the distance to the nearest intersecting streets), and location and elevation of the 100-year floodplain (when applicable).

E. Ownership of Construction Documents. During the Construction Term, upon an event of default, or any expiration or termination of this Lease, Lessee shall promptly assign to and provide the City with all Updated Plans, Project architectural drawings with good license to use such drawings, Project building plans, site plans, permits, and all other documents reasonably related to the construction of the Project.

F. Procurement Compliance Evidence. Lessee will provide the City, upon request, with evidence satisfactory to the City that it complies with all applicable federal, state including A.R.S. Title 34, and local, procurement laws.

10. ASSIGNMENT AND SUBLETTING.

A. The Parties agree Lessee is uniquely qualified to perform the obligations imposed by this Lease and therefore, Lessee may not assign this Lease without the prior written consent of the City. Lessee shall not assign or sublease any of its interest under this Lease, nor permit any other person to occupy the Property without the prior written consent of the City.

B. To obtain City's consent required in Paragraph B of this Section, Lessee shall provide the City for its evaluation with written notice at least thirty (30) days prior to the proposed assignment of: the potential assignee's biographical and financial information, including but not limited to: two (2) year profit and loss statement, assignee's credit history, and a history devoid of any illegal or litigious activities, the proposed effective date of the assignment, a description of the portion of the premises to be assigned, all of the material terms of the proposed assignment and the consideration therefor, and any other information reasonably required by the City in order to evaluate the proposed transfer. Any assignment or transfer made without the City's prior written consent shall, at the City's option, be void.

C. City has the absolute right for any reason or for no reason in its sole discretion to give or withhold consent to any assignment or to impose any conditions upon any assignment, except as expressly provided in this Lease.

D. This Lease shall control any conflict between this Lease and the terms of any assignment.

11. FUNDING SOURCES.

A. Lessee may construct the Project with the proceeds of various funding sources, as described in **Exhibit G**, "Budget".

B. Lessee may only mortgage, encumber or assign any portion of its right, title and interest in the leasehold estate created by this Lease to those parties approved by the City in its sole discretion and for those purposes as set forth in **Exhibit E** ("Permitted Encumbrance"), incorporated herein by this reference. Any such Permitted Encumbrance shall be subject to all of Lessee's obligations under this Lease and subordinate to the City Loan. Except for a Permitted Encumbrance, no person or entity shall have the right to place any mortgages, deeds of trusts, liens or encumbrances of any nature on the Property, nor shall any permitted assignment result in a subordination, in whole or in part, of the City's rights under this Lease. After the initial closing, City has the absolute right for any reason or for no reason in its sole discretion to give or withhold approval of any additional Permitted Encumbrance, mortgage, deeds of trusts, liens, or debt of any nature on the Property.

12. SIGNS.

Lessee may install on the Property, subject to the City's sign ordinance, signs identifying its business. The number, general type, size, and location of signs must be approved in writing by the City prior to installation.

13. DEFAULT; TERMINATION BY CITY.

A. The City may terminate this Lease by giving Lessee thirty (30) days written notice after the happening of any of the following events:

1. The failure of Lessee to perform any of its obligations under this Lease, provided that Lessee fails to cure its default within said 30-day notice period, including failing to construct the Project within the Construction Term or failure to follow the Schedule of Performance.

2. Lessee's failure to make available for rental all units at the Property solely for the purpose of providing affordable housing to tenants with an income of 40% - 60% of U.S. Department of HUD Yavapai County area median income ("AMI").

3. Lessee's failure to make any payment of principal or interest required under the Note when due, and such failure continues for a period of ten (10) days after receipt of written notice of such failure.

4. The breach of any material representation or warranty set forth in this Agreement or any other Loan Document, or the existence of any material misrepresentation of fact by Lessee in any document submitted to the City in support of the Loan or in connection with any of the Loan Documents and remain uncured for thirty (30) days after written notice.

5. Lessee's failure to obtain and maintain the insurance required under this Agreement and the other Loan Documents, and such failure continues for a period of ten (10) days after written notice.

6. The taking of possession for a period of ten (10) days or more of substantially all of the personal property used on the Property belonging to Lessee by or pursuant to lawful authority of any legislative act, resolution, rule, order or decree or any act, resolution, rule, order or decree of any court or governmental board, agency, officer, receiver, trustee or liquidator.

7. Lessee's failure to maintain good and marketable leasehold title to the Property free and clear of all liens, charges, claims, encumbrances, and other matters (other than statutory encumbrances for work being performed on the Property, and for which the Borrower has posted payment and performance bonds), except for the Permitted Encumbrances.

B. The City may place Lessee in default of this Lease by giving Lessee thirty (30) days written notice of Lessee's failure to timely pay the rent or the loan payments provided for in this Lease or any other charges required to be paid by Lessee pursuant to this Lease. During said 30-day notice period, Lessee shall cure said default; otherwise, the City may elect to terminate this Lease or do any of the following:

1. Institute action(s) to enforce this Lease;

2. Take possession of the Property, together with improvements, fixtures, and equipment therein contained without terminating this Lease, and on behalf of Lessee relet the same or any part thereof for a term, shorter, longer, or equal to the then unexpired remainder of the Lease term. The City may at any time after taking possession terminate this Lease by giving notice to Lessee and sue for damages;

3. Terminate this Lease, without further notice to Lessee, re-enter the Property and recover damages, including but not limited to, all costs of repossession and reletting and brokerage commissions for services performed by or for the City;

4. Exercise the "Remedies of Landlord" as set forth in Arizona Revised Statutes, Title 33;

5. Exercise any other remedy allowed by law or equity.

C. If Lessee at any time fails to maintain all insurance coverage required by this Lease, the City shall have the right, upon written notice to Lessee, to immediately terminate this Lease or to secure the required insurance at Lessee's expense.

D. Upon the termination of this Lease for any reason, all rights of Lessee shall terminate, including all rights of Lessee's creditors, trustees, and assigns, and all others similarly situated as to the Property.

E. Lessee acknowledges Lessee's unconditional obligation to comply with this Lease. No failure by City to demand any performance required of Lessee under this Lease, and no acceptance by City of any imperfect or partial performance under this Lease, shall excuse such performance or impair in any way City's ability to insist, prospectively and retroactively, full compliance with this Lease. Failure by the City to take any authorized action upon default by Lessee of any of its obligations hereunder shall not constitute a waiver of said default nor of any subsequent default by Lessee. Acceptance of rent and other fees by the City under the terms hereof for any period after a default by Lessee of any of its obligations shall not be deemed a waiver or estoppel of the City's right to terminate this Lease for any subsequent failure by Lessee to comply with its obligations. Lessee expressly disclaims and shall not have the right to rely on any supposed waiver or other change or modification, whether by word, or conduct or otherwise, not conforming to this paragraph.

F. At any time prior to the initial disbursement of City Loan proceeds, this Lease and any undisbursed portion of the Loan may be terminated for convenience by the City or Lessee, in whole or part.

14. TERMINATION BY LESSEE.

Lessee may terminate this Lease at any time that it is not in default in its obligations by giving the City thirty (30) days' written notice after the happening of any of the following events:

A. Issuance by a court of competent jurisdiction of an injunction in any way preventing or restraining Lessee's use of any substantial portion of the Property and the remaining in force of such injunction for a period of thirty (30) consecutive days.

B. The inability of Lessee to use any substantial portion of the Property for a period of thirty (30) consecutive days, due to the enactment or enforcement of any law or regulation or because of fire, earthquake or similar casualty, or Acts of God or the public enemy.

C. The lawful assumption by the United States Government of the operation, control, or use of the Property or any substantial part of it for military purposes in time of war or national emergency.

15. INDEMNIFICATION.

Lessee shall defend, indemnify and hold harmless the City and its elected or appointed officials, agents, boards, commissions and employees (hereinafter referred to collectively as the "City" in this Section) from all loss, damages or claims of whatever nature, including attorney's fees, expert witness fees and costs of litigation, which arise out of any act or omission of Lessee or its agents, employees and invitees (hereinafter referred to collectively as "Lessee" in this Section) in connection with Lessee's operations at the Property and which result directly or indirectly in the injury to or death of any persons or the damage to or loss of any property, or arising out of the failure of Lessee to comply with any provisions of this Lease. The City shall in all instances, except for loss, damages or claims resulting from the sole negligence of the City, be indemnified by Lessee against all such loss, damages or claims, regardless of whether the loss, damages or claims are caused in part by the negligence, gross negligence or fault of the City. The City shall give Lessee prompt notice of any claim made or suit instituted which may subject Lessee to liability under this Section, and Lessee shall have the right to compromise and defend the same to the extent of its own interest. The City shall have the right, but not the duty, to participate in the defense of any claim or litigation with attorneys of the City's selection without relieving Lessee of any obligations hereunder. Lessee's obligations hereunder shall survive any termination or expiration of this Lease or Lessee's activities at the Property.

16. INSURANCE.

Lessee shall procure and at all times maintain, at its own cost, the types and amounts of insurance required for the full replacement cost of the Project at the limits required in **Exhibit B**. The City shall be named as an additional insured as required in **Exhibit B**. All policies shall provide primary coverage

and waivers of subrogation by endorsement or otherwise. Insurance policies shall contain a provision that written notice of cancellation thereof shall be given to the City not less than thirty (30) days before such cancellation takes effect. Lessee shall deliver an appropriate certificate of insurance for each policy to the City in a form and from a company acceptable to the City. The City reserves the right to modify insurance requirements at any time. In case any improvements are fifty percent (50%) or more destroyed, then Lessee and City shall agree as to whether or not the building shall be repaired or reconstructed. Should it be agreed not to repair or reconstruct such building the insurance proceeds shall be divided proportionately as follows:

A. Lessee's share = Time remaining from date of loss to end of Lease term.

B. City's share = Time elapsed from Effective Date of Lease to date of Loss.

17. QUIET ENJOYMENT.

So long as Lessee shall timely pay the rent and loan payments required under this Lease and perform all of its other obligations under this Lease and the Loan Documents, Lessee shall peaceably have and enjoy the exclusive use of the Property.

18. SURRENDER OF POSSESSION; REVERSION.

Upon the expiration or termination of this Lease, Lessee's right to occupy the Property and exercise the privileges and rights herein granted shall cease, and it shall surrender the same and leave the Property in good condition, normal wear and tear excepted. All improvements, including the Project, and modifications made by Lessee to the Property shall become the property of the City, at no cost to the City, upon the expiration or termination of this Lease, free of any security interest or claims of any kind from or through Lessee; provided that if Lessee is not in default of any of its obligations under this Lease and can remove any of its trade fixtures or personal property at its own expense without materially damaging the Property, Lessee may remove such fixtures at the termination or expiration of this Lease. None of the improvements hereafter placed on the Property shall be removed there from at any time without City's written consent.

19. NOTICE.

All notices required or permitted to be given under this Lease may be personally delivered or mailed by certified mail, return receipt requested, postage prepaid, to the following addresses:

TO THE CITY: City of Sedona
City Manager
102 Roadrunner Road
Sedona, Arizona 86336

TO LESSEE: TBD

_____

_____

Any notice given by certified mail shall be deemed to be received on the next business day after the date of mailing. Either Party may designate in writing a different address for notice purposes pursuant to this Section.

20. NO BOYCOTT OF ISRAEL OR USE OF FORCED LABOR OF ETHNIC UYGHURS IN PEOPLES REPUBLIC OF CHINA.

As applicable, Lessee certifies and agrees that it is not currently engaged in and for the duration of the Lease will not engage in a boycott of Israel, as that term is defined in A.R.S. §35-393 and will not use forced labor or goods or services produced by forced labor of ethnic Uyghurs in the People's Republic of China (PRC) or any contractors, subcontractors or suppliers that use forced labor or goods or services produced by forced labor of ethnic Uyghurs in the PRC as provided by A.R.S. §35-394.

21. STATUTORY CANCELLATION RIGHT.

This Lease is subject to cancellation for conflicts of interest under the provisions of A.R.S. §38-511.

22. SEVERABILITY.

Should any provision of this Lease be declared invalid by a court of competent jurisdiction, the remaining terms shall remain effective, provided that elimination of the invalid provision does not materially prejudice either Party with regard to its respective rights and obligations.

23. TAXES AND LICENSES.

A. Lessee shall pay any leasehold tax, possessory interest tax, sales tax, personal property tax, transaction privilege tax or other exaction assessed or assessable as a result of its occupancy of the Property or conduct of business at the Property under authority of this Lease, including any such tax assessable on the City. In the event that laws or judicial decisions result in the imposition of a real property tax on the interest of the City, such tax shall also be paid by Lessee for the period this Lease is in effect.

B. Lessee acknowledges that any failure by Lessee to pay all taxes due, including under A.R.S., Title 42, Chapter 13, as applicable, after notice and an opportunity to cure shall constitute a default that could result in divesting Lessee of any interest in or right to occupancy of the Property.

C. Lessee shall, at its own cost, obtain and maintain in full force and effect during the term of this lease all licenses and permits required for the operation s authorized by this Lease.

24. **VENUE; JURISDICTION; JURY TRIAL WAIVER; ATTORNEY FEES WAIVER**.

This Lease shall be governed by the laws of the State of Arizona, and any legal action concerning the provisions hereof shall be brought in the County of Yavapai, State of Arizona. Both parties hereby waive any right to a jury trial which they may otherwise have in the event of litigation arising out of this Lease and consent to a trial to the court. THE PARTIES HERETO EXPRESSLY COVENANT AND AGREE THAT IN THE EVENT OF LITIGATION ARISING FROM THIS LEASE, NEITHER PARTY SHALL BE ENTITLED TO AN AWARD OF ATTORNEY FEES, EITHER PURSUANT

TO CONTRACT, PURSUANT TO A.R.S. §12-341.01 (A) AND (B), OR PURSUANT TO ANY OTHER STATE OR FEDERAL STATUTE, COURT RULE, CASE LAW, OR COMMON LAW.

25. RULES AND REGULATIONS.

Lessee shall at all times comply with all federal, state and local laws, ordinances, rules, rulings, and regulations which are applicable to its operations, the Property (including the Americans with Disabilities Act), or the operation, management, maintenance or administration of the Project, including all laws, ordinances, rules and regulations adopted after the effective date of this Lease. Lessee shall display to the City, upon request, any permits, licenses, or other evidence of compliance with such laws. All rules and regulations, as currently existing or as may be amended or adopted, are hereby incorporated in this Lease. Should a court of competent jurisdiction or any administrative agency with oversight authority determine that any part of this Lease is contrary to established Federal, State and City laws applicable to the respective responsibilities of the Parties as described herein, this Lease, and any part thereto that is in conflict with said laws, shall be modified upon mutual agreement of the Parties in order to bring the Lease into full legal compliance.

26. RIGHT OF ENTRY RESERVED.

A. The City shall have the right at all reasonable times and upon reasonable notice to enter upon the Property for any lawful purpose, provided such action does not unreasonably interfere with Lessee's use, occupancy or security of the Property.

B. If any personal property of Lessee shall obstruct the access of the City or any utility company furnishing utility service to any of the existing utility, mechanical, electrical and other systems, and thus shall interfere with the inspection, maintenance or repair of any such system, Lessee shall move such property, as directed by the City or utility company, in order that access may be had to the system for inspection, maintenance or repair. If Lessee fails to move such property after direction from the City or utility company to do so, the City or the utility company may move it, and Lessee shall pay the cost of such moving upon demand, and Lessee hereby waives any claim for damages as a result therefrom, except for claims for damages arising from the City's sole negligence.

C. Exercise of any or all of the foregoing rights by the City or others pursuant to the City's rights shall not constitute an eviction of Lessee, nor be made the grounds for any abatement of rent or any claim for damages.

27. SURVIVAL OF LESSEE'S OBLIGATIONS.

If this Lease is terminated by the City in accordance with the provisions herein or if the City re-enters or resumes possession of the Property as provided herein, all of Lessee's obligations under this Lease shall survive such termination, re-entry or resumption of possession and shall remain in full force and effect for the full term of this Lease, and the amounts of damages or deficiencies shall become due and payable to the City to the same extent, at the same times, and in the same manner as if no termination, re-entry or resumption of possession had taken place. The City may, at its option and at any time, sue to recover the full deficiency for the entire unexpired term of this Lease. The amount of damages for the period of time subsequent to termination (or re-entry

or resumption of possession) shall include all expenses incurred by the City in connection with regaining possession, restoring the Property, acquiring a new lease for the Property, putting the Property in order, maintenance and brokerage fees.

28. REMEDIES TO BE NONEXCLUSIVE.

All remedies provided in this Lease shall be deemed cumulative and additional, not in lieu of or exclusive of, each other, or of any other remedy available to the City or Lessee at law or in equity, and the exercise of any remedy, or the existence herein of other remedies, shall not prevent the exercise of any other remedy.

29. NONLIABILITY OF CITY OFFICIALS AND EMPLOYEES.

No member, official, representative or employee of City shall be personally liable to Lessee, or to any successor in interest to Lessee, in the event of any default or breach by City, or with respect to any obligation of City or otherwise under the terms of this Lease or related to this Lease.

30. TIME IS OF THE ESSENCE.

Time is of the essence with regard to the performance of all of the Parties' obligations under this Lease.

31. MISCELLANEOUS.

A. This Lease constitutes the entire agreement between the Parties concerning the matters contained herein and supersedes all prior negotiations, understandings and agreements between the parties concerning such matters.

B. This Lease shall be interpreted, applied and enforced according to the fair meaning of its terms and shall not be construed strictly in favor of or against either Party, regardless of which Party may have drafted any of its provisions. No provision of this Lease may be waived or modified except by a writing signed by the Party against whom such waiver or modification is sought to be enforced. The terms of this Lease shall be binding upon and inure to the benefit of the Parties' successors and assigns.

C. Request for Proposal No. 25-12RFP is incorporated by this reference as part of this Lease. Any terms and conditions included in Request for Proposal No. 25-12RFP not in conflict with this Lease are binding upon Lessee for the Term of this Lease.

D. Lessee's response to Request for Proposal No. 25-12RFP is incorporated by this reference as part of this Lease. Any provisions in Lessee's response to Request for Proposal No. 25-12RFP not in conflict with this Lease or Request for Proposal No. 25-12RFP are binding upon Lessee for the Term of this Lease.

E. The Exhibits set forth in this Lease are incorporated by this reference as part of this Lease.

F. Nothing contained in this Lease shall create any partnership, joint venture or other agreement between the Parties hereto. Except as expressly provided in this Lease, no term

or provision of this Lease is intended or shall be for the benefit of any person or entity not a Party to this Lease, and no such other person or entity shall have any right or cause of action under this Lease.

32. EXHIBITS.

The following exhibits are included in this Lease:

Exhibit A	Property Legal Description
Exhibit B	Insurance Requirements
Exhibit C	Required Bond Forms
Exhibit D	Loan Documents (Promissory Note, Deed of Trust)
Exhibit E	Permitted Encumbrances
Exhibit F	Schedule of Performance
Exhibit G	Budget

EXECUTED to be effective on the date specified above.

CITY:

CITY OF SEDONA, an Arizona municipal corporation

_____

By: Scott M. Jablow, Mayor

ATTEST:

_____

JoAnne Cook
City Clerk

APPROVED AS TO FORM:

_____

Kurt W. Christianson
City Attorney

LESSEE: _____

_____

_____

By:
Its: Owner/member

STATE OF _____)
)ss.
County of _____)

The foregoing instrument was acknowledged before me this_____day of_____, 20___, by_____, in his or her capacity as _____ of _____, an _____.

_____
Notary Public

My Commission Expires:

_____

EXHIBIT A to LAND LEASE AND LOAN AGREEMENT

the PROPERTY
(see attached legal description)

LEGAL DESCRIPTION OF PROPERTY

THE LAND REFERRED TO HEREIN BELOW IS SITUATED IN THE COUNTY OF YAVAPAI, STATE OF ARIZONA, AND IS DESCRIBED AS FOLLOWS:

PARCEL 1:

A tract of land in the Southwest quarter of the Southeast quarter of Section 11, Township 17 North, Range 5 East of the Gila and Salt River Base and Meridian, Yavapai County, Arizona, described as follows:

BEGINNING at a point on the South line of said Section 11 that lies East 486.0 feet from the Southwest corner of the Southeast quarter of said Section 11;

Thence East 153.5 feet along said South line;

Thence North 460 feet, more or less, to the South right-of-way line of U.S. Highway 89-A;

Thence Southwesterly 154.9 feet along said right-of-way line;

Thence South 438.5 feet to the POINT OF BEGINNING.

PARCEL 2:

A tract of land in the Southwest quarter of the Southeast quarter (SW1/4 SE1/4) of Section Eleven (11), Township Seventeen (17) North, Range Five (5) East of the Gila and Salt River Base and Meridian, Yavapai County, Arizona, described as follows:

BEGINNING at a point on the South line of said Section Eleven (11), distant thereon, East 659.5 feet from the South quarter corner of said Section Eleven (11);

Thence North 0°04' West, 463.4 feet to the Southerly right of way line of State Highway 89A;

Thence along said Southerly Highway line, South 81°56' West (Highway bearing South 82°18' West) 20.0 feet to the Northeast corner of a tract owned by Lyle Price (Mingus Concrete);

Thence along the East line of said Price Tract, South, 460.6 feet to said South line of Section 11;

Thence along last said line, East, 20.4 feet to the POINT of BEGINNING.

EXHIBIT B to LAND LEASE AND LOAN AGREEMENT

Insurance Requirements

1. **INSURANCE** Lessee shall procure and maintain for the duration of the Lease insurance against claims for injuries to persons or damages to property which may arise from or in connection with the performance of the work hereunder and the results of that work by the Lessee, its agents, representatives, employees or contractors.

A. MINIMUM SCOPE AND LIMIT OF INSURANCE

Coverage shall be at least as broad as:

i. **Commercial General Liability (CGL)**: Insurance covering CGL on an "occurrence" basis, including products-completed operations, personal & advertising injury, with limits no less than **$2,000,000** per occurrence, **$5,000,000** aggregate. If a general aggregate limit applies, either the general aggregate limit shall apply separately to this project/location or the general aggregate limit shall be twice the required occurrence limit.

ii. **Premises Liability:** Insurance covering premises liability on the Property, with limit no less than **$2,000,000** per accident for bodily injury and property damage.

iii. **Workers' Compensation:** as required by the State of Arizona, with Statutory Limits, and Employer's Liability Insurance with limits of no less than:
Bodily Injury by accident $1,000,000 each accident
Bodily Injury by disease $1,000,000 policy limit
Bodily Injury by disease $1,000,000 each employee

iv. **Property Insurance**: Lessee shall obtain and keep in force during the Term of this Lease a policy or policies of commercial property insurance written on ISO form CP 00 10 10 12, or a substitute form providing coverage at least as broad, with all risk or special form coverage, covering the loss or damage to the Property and Project to the full insurable value of the improvements located on the Property (including the full value of the Project, all improvements and fixtures owned by Lessee) at least in the amount of the full replacement cost thereof, and in no event less than the total amount required by any lender holding a security interest.

If the Lessee maintains higher limits than the minimums shown above, the City requires and shall be entitled to coverage for the higher limits maintained by the Lessee.

B. **Other Insurance Provisions.** The insurance policies are to contain, or be endorsed to contain, the following provisions:

i. **Additional Insured Status.** The City, its officers, officials, employees, and volunteers are to be covered as additional insured's on the CGL policy with respect to liability arising out of work or operations performed by or on behalf of the Contractor including materials, parts, or equipment furnished in connection with such work or operations.

ii. **Primary Coverage.** For any claims related to this contract, the Lessee's insurance coverage shall be primary insurance as respects the City, its officers, officials, employees, and volunteers. Any insurance or self-insurance maintained by the City, its officers,

officials, employees, or volunteers shall be excess of the Lessee's insurance and shall not contribute with it.

iii. **Notice of Cancellation.** Each insurance policy required above shall provide that coverage shall not be canceled, except with no less than thirty (30) days notice to the City.

iv. **Waiver of Subrogation.** Lessee hereby grants to City a waiver of any right to subrogation which any insurer of said Lessee may acquire against the City by virtue of the payment of any loss under such insurance. Lessee agrees to obtain and provide to City any endorsement that may be necessary to affect this waiver of subrogation, but this provision applies regardless of whether or not the City has received a waiver of subrogation endorsement from the insurer. A waiver of subrogation shall be effective as to any person or entity even though that person or entity would otherwise have a duty of indemnification, contractual or otherwise, did not pay for the insurance premium directly or indirectly and whether or not the person or entity had an insurable interest in the property damaged.

v. **Acceptability of Insurers.** Insurance is to be placed with insurers with a current A.M. Best's rating of no less than A-VII or higher, unless otherwise acceptable to the City.

vi. **Verification of Coverage.** Lessee shall furnish the City with Certificates of Insurance and amendatory endorsements of the applicable policy language effecting coverage required by this clause. All certificates and endorsements are to be received by City and approved by the City before work commences. However, failure to obtain the required documents prior to the work beginning shall not waive the Lessee's obligation to provide them. The City reserves the right to require complete, certified copies of all required insurance policies, including endorsements required by these specifications, at any time.

vii. **Special Risks or Circumstances** City reserves the right to modify these requirements, including limits, based on the nature of the risk, prior experience, insurer, coverage, or other special circumstances.

EXHIBIT C TO LAND LEASE AND LOAN AGREEMENT

Required Bond Forms
(see attached)

PERFORMANCE BOND FOR CONSTRUCTION

(Penalty of this bond must be 100% of the Construction Contract Amount)

KNOW ALL MEN BY THESE PRESENT, that, _____ (hereinafter "Principal"), as Principal, and _____ (a corporation organized and existing under the laws of the State of _____, with its principal office in the City of _____, (hereinafter "Surety"), as Surety, are held and firmly bound unto the City of Sedona in the County of Yavapai, State of Arizona, (hereinafter "Obligee"), in the amount of $_____ Dollars ($ _____) for the payment thereof, the said Principal and Surety bind themselves, and their heirs, administrators, executors, successors and assigns, jointly and severally, firmly by these present.

WHEREAS, the Principal has entered into a certain written contract with the Obligee, dated the ___day of _____, 20____, for _____, for which contract is hereby referred to and made a part hereof as fully and to the same extent as if copied at length herein.

NOW, THEREFORE, THE CONDITION OF THIS OBLIGATION IS SUCH, that, if the said Principal shall faithfully perform and fulfill all the undertakings, covenants, terms, conditions, and agreements of said Contract during the original term of said Contract and any extension thereof, with or without notice to the Surety, and during the life of any guaranty required under the Contract, and shall also perform and fulfill all the undertakings, covenants, terms, conditions, and agreements of any all duly authorized modifications of said Contract that may hereafter be made, notice of which modifications to the Surety being hereby waived; then the above obligation shall be void, otherwise to remain in full force and effect.

PROVIDED, HOWEVER, that if this bond is executed pursuant to the provisions of Title 34, Chapter 6, of the Arizona Revised Statutes, all liabilities on this Bond shall be determined in accordance with the provisions of said Title, Chapter, and Article, to the extent as if it were copied at length herein.

THE prevailing party in a suit on this Bond shall be entitled to such reasonable attorney's fees as may be fixed by a judge of the Court.

WITNESS our hands this ____ day of _____, 20_____

PRINCIPAL SEAL

By: _____

SURETY SEAL

A.M. BEST RATING:

By: _____
ATTORNEY-IN-FACT

AGENT OF RECORD

_____
AGENT ADDRESS

_____
TELEPHONE NUMBER

By: _____
AGENT

LABOR AND MATERIALS BOND
(Penalty of this Bond must be 100% of the Construction Contract Amount)

KNOW ALL MEN BY THESE PRESENT, that, _____ (hereinafter "Principal"), as Principal, and _____ (a corporation organized and existing under the laws of the State of _____, with its principal office in the City of _____, (hereinafter "Surety"), as Surety, are held and firmly bound unto the City of Sedona in the County of Yavapai, State of Arizona, (hereinafter "Obligee"), in the amount of $_____ Dollars ($ _____) for the payment thereof, the said Principal and Surety bind themselves, and their heirs, administrators, executors, successors and assigns, jointly and severally, firmly by these present.

WHEREAS, the Principal has entered into a certain written contract with the Obligee, dated the ___ day of _____, 20____, for _____, for which contract is hereby referred to and made a part hereof as fully and to the same extent as if copied at length herein.

NOW, THEREFORE, THE CONDITION OF THIS OBLIGATION IS SUCH, that, if the said Principal shall promptly pay all moneys due to all persons supplying labor or materials to him or his subcontractors in the prosecution of the work provided for in said contract, then this obligation shall be void, otherwise to remain in full force and effect.

PROVIDED, HOWEVER, that if this bond is executed pursuant to the provisions of Title 34, Chapter 6, of the Arizona Revised Statutes, then all liabilities on this Bond shall be determined in accordance with the provisions of said Title, Chapter, and Article, to the extent as if it were copied at length herein.

THE prevailing party in a suit on this Bond shall be entitled to such reasonable attorney's fees as may be fixed by a judge of the Court.

WITNESS our hands this ____ day of _____, 20_____

PRINCIPAL SEAL

By: _____

_____
SURETY SEAL

A.M. BEST RATING:

By: _____
ATTORNEY-IN-FACT

AGENT OF RECORD

_____
AGENT ADDRESS

_____
TELEPHONE NUMBER

By: _____
AGENT

EXHIBIT D TO LAND LEASE AND LOAN AGREEMENT

Loan Documents - Promissory Note, Deed of Trust
(see attached)

When recorded, mail to:

Office of the City Clerk
City of Sedona, Arizona
102 Roadrunner Drive
Sedona, AZ 86336

CITY OF SEDONA AFFORDABLE HOUSING LOAN
LEASEHOLD DEED OF TRUST AND ASSIGNMENT OF RENTS

DATE: _____, 202__

PROPERTY ADDRESS: _____, Sedona, Arizona 86336

TRUSTOR: _____

TRUSTOR'S MAILING ADDRESS:_____

BENEFICIARY: City of Sedona, an Arizona municipal corporation BENEFICIARY'S

ADDRESS: 102 Roadrunner Drive, Sedona, Arizona 86336

TRUSTEE: Kurt W. Christianson, Sedona City Attorney and a member of the State Bar of Arizona, 102 Roadrunner Drive, Sedona, AZ 86336.

WHEREAS, Beneficiary is the owner in fee simple of the land and improvements located thereon as Property in Yavapai County, State of Arizona, legally described as:

> The Land referred to herein below is situated in the County of Yavapai, State of Arizona, and is described as follows:
> _____
> _____
> _____
> _____
> _____
> _____
> _____

This City of Sedona Affordable Housing Loan Leasehold Deed of Trust and Assignment of Rents ("Deed of Trust") made between Trustor, Trustee and Beneficiary above named, WITNESSETH: That Trustor irrevocably grants, conveys, transfers and assigns to Trustee in Trust, with Power of Sale, all buildings, improvements and fixtures located thereon or hereinafter erected thereon, together with the leases, rents, issues profits or income thereof (all of which are hereinafter called "property income"); TOGETHER WITH all interests, estates or other claims, both in law and in equity, which Trustor now has or may hereafter acquire in the Premises or the Improvements; TOGETHER WITH all right, title and interest of

Trustor in (i) the property and interests in property, (ii) all other personal property now or hereafter owned by Trustor that is now or hereafter located on or used in connection with the Premises or the Improvements, (iii) all other rights and interests of Trustor now or hereafter held in personal property that is now or hereafter located on or used in connection with the Premises or the Improvements, (iv) all personal property and rights and interests in personal property of similar type or kind hereafter acquired by Trustor, and (v) all proceeds thereof (such personal property and proceeds referred to herein collectively as the "**Personal Property**");

SUBJECT, HOWEVER, to the right, power and authority hereinafter given to and conferred upon Beneficiary to collect and apply such property income; AND SUBJECT TO existing taxes, assessments, liens, encumbrances, covenants, conditions, restrictions, rights of way and easements of record.

FOR THE PURPOSE OF SECURING:

Performance of each agreement of Trustor herein contained:

A. Payment of the indebtedness evidenced by that Promissory Note of even date herewith, and any extension or renewal thereof, in the principal sum of $_____ executed by Trustor in favor of Beneficiary.

B. Payment of additional sums and interest thereon, which may hereafter be loaned to Trustor, or Trustor's successors or assigns, when evidenced by a promissory note or notes reciting that they are secured by this Deed of Trust.

C. Performance of the obligations arising under that certain Land Lease Agreement between the City of Sedona and _____, dated as of the ___ day of _____, 202__ and recorded on the ___ day of _____, 202__ as Yavapai County Recorder instrument number _____ (the "Land Lease Agreement"), including Trustor's obligations under the Land Lease Agreement to construct the Project (as defined in the Land Lease Agreement) pursuant to the terms of the Land Lease Agreement.

D. Payment of all sums advanced by Beneficiary to protect the Trust Estate, with interest thereon equal to the lesser of four and forty-four hundredths percent (4.44%) per annum or the maximum rate per annum permitted by applicable law.

E. For the benefit of Beneficiary, compliance with and performance of each and every provision of any declaration of covenants, conditions and restrictions, any maintenance, easement and party wall agreement, or any other agreement, document, or instrument by which the Trust Estate is bound or may be affected.

TO PROTECT THE SECURITY OF THIS DEED OF TRUST, TRUSTOR AGREES:

1. To keep said property in good condition and repair; not to remove or demolish any building thereon; to complete and restore promptly and in good and workmanlike manner any building which may be

constructed, damaged or destroyed thereon, and to pay when due all claims for labor performed and materials furnished therefore; to comply with all laws affecting said property or requiring any alterations or improvements to be made thereon; not to commit or permit waste thereof; not to commit, suffer or permit any act upon said property in violation of law; and, do all other acts which from the character or use of said property may be reasonably necessary, the specific enumerations herein not excluding the general.

2. To provide, maintain and deliver to Beneficiary insurance policies satisfactory to and with loss payable to Beneficiary. The amount collected under any fire or other insurance policy may be applied by Beneficiary upon any indebtedness secured thereby and in such order as Beneficiary may determine, or at option of Beneficiary the entire amount so collected or any part thereof may be released to Trustor. Such application or release shall not cure or waive any default or notice of Trustee's sale hereunder or invalidate any act done pursuant to such notice. In the event of foreclosure of this Deed of Trust, as a mortgage, a sale under the power of sale, or any other transfer of title or assignment of the Trust Estate in extinguishment, in whole or in part, of the obligations, all right, title and interest of Trustor in and to all policies of insurance required hereof shall inure to the benefit of and pass to the successor in interest to Trustor or the purchaser or grantee of the Trust Estate, to the extent such policies are assignable pursuant to the terms thereof.

3. To appear in and defend any action or proceeding purporting to affect the security thereof or the rights or powers of Beneficiary or Trustee, including cost of evidence of title and attorney's fees in a reasonable sum, in any such action or proceeding in which Beneficiary or Trustee may appear or be named, and in any suit brought by Beneficiary to foreclose this Deed of Trust.

4. To pay before delinquent, all taxes and assessment affecting said property; when due, all encumbrances, charges and liens, with interest, on said property or any part thereof, which appear to be prior or superior hereto; all costs, fees and expenses of this Trust, including, without limited the generality of the foregoing, the fees of Trustee for issuance of any Deed of Partial Release and Partial Reconveyance or Deed of Release and Full Reconveyance, and all lawful charges, costs and expenses in the event of reinstatement of, following default in, this Deed of Trust or the obligations secured hereby.

   Should Trustor fail to make any payment or to do any act as herein provided, then Beneficiary or Trustee, but without obligation to do so and without notice or demand upon Trustor and without releasing Trustor from any obligation hereof, may: make or do the same in such manner and to such extent as either may deem necessary to protect the security thereof, Beneficiary or Trustee being authorized to enter upon said property for such purposes; appear in and defend any action or proceeding purporting to affect the security hereof or the rights of powers of Beneficiary or Trustee; pay, purchase, contest or compromise any encumbrance, charge or lien which in the judgment of either appears to be superior hereto; and, in exercising any such powers, pay necessary expenses, employ counsel and pay its reasonable fees.

5. To pay immediately and without demand all sums expended by Beneficiary or Trustee pursuant to the provisions hereof, together with interest from date of expenditure at the same rate as is provided for in the note(s) secured by this Deed of Trust or at the highest legal rate, whichever be the greater rate. Any amounts so paid by Beneficiary or Trustee shall become part of the debt secured by this

Deed of Trust and a lien on said premises or shall become immediately due and payable at option of Beneficiary or Trustee.

IT IS MUTUALLY AGREED:

6. That any award of damages in connection with condemnation or any such taking, or for injury to the property by reason of public use, or for damages for private trespass or injury thereto, is assigned and shall be paid to Beneficiary as further security for all obligations secured hereby (reserving unto the Trustor; however, the right to sue therefore and ownership thereof subject to this Deed of Trust), and upon receipt of such monies Beneficiary may hold the same as such further security, or apply or release the same manner and with the same effect as above provided for disposition of proceeds of fire or other insurance.

7. That time is of the essence of this Deed of Trust, and by accepting payment of any sum secured hereby after its due date, Beneficiary does not waive its right either to require prompt payment when due of all other sums so secured or to declare default for failure so to pay.

8. That at any time or from time-to-time, and without notice, upon written request of Beneficiary and presentation of this Deed of Trust and said note(s) for endorsement and without liability therefore, and without affecting the personal liability of any person for payment of the indebtedness secured hereby, and without affecting the security hereof for the full amount secured hereby on all property remaining subject hereto, and without the necessity that any sum representing the value or any portion thereof of the property affected by the Trustee's action be credited on the indebtedness, the Trustee may: (a) release and reconvey all or part of said property; (b) consent to the making and recording, or either, of any map or plat of the property or any part thereof; 9c) join in granted any easement thereon; (d) join in or consent to any extension agreement subordinating the lien, encumbrance or charge thereof.

9. That upon written request of Beneficiary stating that all sums secured hereby have been paid and upon surrender of the Deed of Trust and said note(s) to Trustee for cancellation, and upon payment of its fees, Trustee shall by Deed of Release and Full Reconveyance release and reconvey, without covenant or warranty, express or implied, the property then held hereunder. The recitals in such Deed of Release and Full Reconveyance of any matters shall be conclusive proof of the truthfulness thereof. The grantee in such Deed of Release and Full Reconveyance may be described as "The Person or Persons Legally Entitled Thereto."

10. Assignment of Rents.

    10.1. Trustor hereby absolutely and irrevocably assigns and transfers to Beneficiary, equally and ratably, all the Rents of the Trust Estate and hereby gives to and confers upon Beneficiary, acting collectively, the right, power and authority, to collect the Rents. Trustor irrevocably appoints Beneficiary its true and lawful attorney-in-fact, at their option at any time and from time to time, acting collectively, to demand, receive and enforce payment, to give receipts, releases and satisfactions, and to sue, in the name of Trustor or Beneficiary, for all Rents and apply the same to the payment of the obligations. Trustor hereby authorizes and directs the lessees, tenants and occupants to make all payments under the Leases directly to Beneficiary upon and as directed in written demand by Beneficiary without further consent of Trustor; provided, however, that

Trustor shall have the right to collect such Rents (but not more than one (1) month in advance unless the written approval of Beneficiary is first obtained), and to retain and enjoy same, so long as an Event of Default shall not have occurred hereunder or under any of the Loan Documents. The assignment of the Rents of the Trust Estate is intended to be an absolute assignment from Trustor to Beneficiary and not merely the passing of a security interest.

10.2. Collection Upon an Event of Default.

Upon the occurrence of an Event of Default, Beneficiary may, at any time without notice, either in person, by agent or by a receiver appointed by a court, and without regard to the adequacy of any security for the Obligations, enter upon and take possession of the Trust Estate, or any part thereof, and, with or without such entry or taking possession, in their own name sue for or otherwise collect the Rents (including, without limitation, those past due and unpaid) and apply the same, less costs and expenses of operation and collection (including, without limitation, attorneys' fees) toward payment of the obligations. The collection of such Rents, or the entering upon and taking possession of the Trust Estate, or the application of the Rents as aforesaid, shall not cure or waive any default or notice of default hereunder or invalidate any act done in response to such default or pursuant to such notice of default. Trustor also hereby authorizes Beneficiary upon such entry, at their option, acting collectively, to take over and assume the management, operation and maintenance of the Trust Estate and to perform all acts they in their sole discretion (as agreed among them) deem necessary and proper and to expend such sums out of Rents as may be needed in connection therewith, in the same manner and to the same extent as Trustor theretofore could do (including without limitation, the right to enter into new leases, to cancel, surrender, alter or amend the terms of and/or renew existing Leases and/or to make concessions to tenants). Trustor hereby releases all claims of any kind or nature against Beneficiary arising out of such management, operation and maintenance, excepting the liability of Beneficiary to account as hereinafter set forth.

10.3. Application of Rents.

Upon such entry, Beneficiary shall, as agreed among them, after payment of all property charges and expenses (including, without limitation, reasonable compensation to such managing agent as they may select and employ) and after the accumulation of a reserve to meet requisite amounts, credit the net amount of the Rents received by them to the Obligations. Beneficiary shall be accountable for more monies than it actually receives from the Trust Estate; nor shall it be liable for failure to collect Rents. Beneficiary shall make reasonable efforts to collect Rents, reserving, however, within their own absolute and sole discretion, as agreed among them, the right to determine the method of collection and the extent to which enforcement of collection of Rents shall be prosecuted and their judgment shall be deemed conclusive and reasonable.

10.4. Mortgagee in Possession.

It is not the intention of the parties hereto that an entry by Beneficiary upon the Premises under the terms of this instrument shall make Beneficiary a party in possession in contemplation of the law, except at the option of Beneficiary as agreed among them.

10.5. Indemnity.

Trustor hereby agrees to indemnify and hold harmless Beneficiary for, from and against any and all losses, liabilities, obligations, claims, demands, damages, penalties, judgments, costs, and expenses, including reasonable legal fees and expenses, howsoever and by whomsoever asserted, arising out of or in any way connected with this assignment of Rents; and all such losses, liabilities, obligations, claims, demands, damages, penalties, judgments, costs and expenses shall be deemed added to the indebtedness secured hereby and shall be secured by any and all other instruments securing said indebtedness.

10.6. No Obligation to Perform.

Nothing contained herein shall operate or be construed to obligate Beneficiary to perform any obligations of Trustor under any Lease (including, without limitation, any obligation arising out of any covenant of quiet enjoyment therein contained in the event the lessee under any such Lease shall have been joined as a party defendant in any action to foreclose and the estate of such lessee shall have been thereby terminated). Prior to actual entry into and taking possession of the Premises by Beneficiary, this assignment of Rents shall not operate to place upon Beneficiary any responsibility for the operation, control, care, management or repair of the Trust Estate or any portion thereof, and the execution of this Assignment of Rents by Trustor shall constitute conclusive evidence that all responsibility for the operation, control, care, management and repair of the Trust Estate is and shall be that of Trustor, prior to such actual entry and taking of possession by Beneficiary.

11. SECURITY AGREEMENT

11.1. Creation of Security Interest.

Trustor hereby grants to Beneficiary a security interest in and to all Personal Property.

11.2. Representations, Warranties and Covenants of Trustor.

Trustor hereby represents, warrants and covenants (which representations, warranties and covenants shall survive creation of any indebtedness of Trustor to Beneficiary and any extension of credit thereunder) as follows:

11.2.1. The Personal Property is not used or bought for personal, family or household purposes.

11.2.2. The tangible portion of the Personal Property will be kept on or at the Premises or Improvements and Trustor will not, without the prior written consent of Beneficiary, remove the Personal Property or any portion thereof therefrom except such portions or items of Personal Property which are consumed or worn out in ordinary usage, all of which shall be promptly replaced by Trustor with similar items of equal or greater value.

11.2.3. At the request of Beneficiary, Trustor will permit Beneficiary to prepare and file one or more financing statements and fixture filings pursuant to the Uniform Commercial Code of Arizona as in effect in the State of Arizona, Arizona Revised Statutes ("**A.R.S.**") Sections 47-1101 through 47-11107, as amended from time to time ("**Uniform Commercial Code of Arizona**"), in form satisfactory to Beneficiary and will pay the cost of recording and

filing the same in all public offices wherever recording or filing is deemed by Beneficiary to be necessary or desirable.

11.2.4. Trustor does not do business under any trade name except as previously disclosed in writing to Beneficiary. Trustor will immediately notify Beneficiary in writing of any change in its responsible individual or the adoption or change of any trade name or fictitious business name, and will upon request of Beneficiary execute any additional financing statements or other certificates necessary to reflect the adoption or change in trade name or fictitious business name.

11.2.5. Trustor shall immediately notify Beneficiary of any claim against the Personal Property adverse to the interest of Beneficiary therein.

11.3. Use of Personal Property by Trustor.

Until the occurrence of an Event of Default hereunder or under any Loan Document, Trustor may have possession of the Personal Property and use it in any lawful manner not inconsistent with this Deed of Trust and not inconsistent with any policy of insurance thereon.

11.4. Remedies Upon an Event of Default.

11.4.1. In addition to the remedies provided in this Deed of Trust, upon the occurrence of an Event of Default hereunder, Beneficiary may, at its option, do any one or more of the following:

11.4.1.1. Either personally, or by means of a court appointed receiver, take possession of all or any of the Personal Property and exclude therefrom Trustor and all others claiming under Trustor, and thereafter hold, store, use, operate, manage, maintain and control, make repairs, replacements, alterations, additions and improvements to and exercise all rights and powers of Trustor with respect to the Personal Property or any part thereof. In the event Beneficiary demands, or attempts to take possession of the Personal Property in the exercise of any rights under this Deed of Trust, Trustor agrees to promptly turn over and deliver possession thereof to Beneficiary.

11.4.1.2. Without notice to or demand upon Trustor, make such payments and do such acts as Beneficiary may deem necessary to protect their security interest in the Personal Property (including, without limitation, paying, purchasing, contesting or compromising any Lien or Encumbrance, whether superior or inferior to such security interest) and in exercising any such powers or authority to pay all expenses (including, without limitation, litigation costs and reasonable attorneys' fees) incurred in connection therewith;

11.4.1.3. Require Trustor from time to time to assemble the Personal Property, or any portion thereof, at the Premises. Beneficiary and its agents and representatives, shall have the right to enter upon any or all of Trustor's premises and property to exercise Beneficiary's rights hereunder;

11.4.1.4. Realize upon the Personal Property or any part thereof as herein provided or in any manner permitted by law and exercise any and all of the other rights and remedies conferred upon Beneficiary by this Deed of Trust or any other Loan Document, or by law, either concurrently or in such order as Beneficiary may determine;

11.4.1.5. Sell or cause to be sold in such order as Beneficiary may determine, as a whole or in such parcels as Beneficiary may determine, the Personal Property and the remainder of the Trust Estate;

11.4.1.6. Sell, lease or otherwise dispose of the Personal Property at public sale, upon terms and in such manner as Beneficiary may determine. Beneficiary may be a purchaser at any sale; and

11.4.1.7. Exercise any remedies of a secured party under the Uniform Commercial Code of Arizona or any other applicable law.

11.4.2. Unless the Personal Property is perishable or threatens to decline speedily in value or is of a type customarily sold on a recognized market, Beneficiary shall give Trustor at least 5 days prior written notice of the time and place of any public sale of the Personal Property or other intended disposition thereof to be made. Such notice may be mailed to Trustor at the address set forth in Section 5.5 hereof.

11.4.3. The proceeds of any sale under Section 3.4(a)(vi) hereof shall be applied as follows:

11.4.3.1. To the repayment of the reasonable costs and expenses of taking, holding, and preparing for the sale and selling the Personal Property (including, without limitation, costs of litigation and reasonable attorneys' fees) and the discharge of all Impositions, Liens and Encumbrances, and claims thereof, if any, on the Personal Property prior to the security interest granted herein (except any Impositions or Liens and Encumbrances subject to which such sale shall have been made);

11.4.3.2. To the payment of the obligations hereof; and

11.4.3.3. The surplus, if any, shall be paid to the Trustor or to whomsoever may be lawfully entitled to receive the same, or as a court of competent jurisdiction may direct.

Beneficiary shall have the right to enforce one or more remedies hereunder, successively or concurrently, and such action shall not operate to estop or prevent Beneficiary from pursuing any further remedy that it may have. Any repossession or retaking or sale of the Personal Property pursuant to the terms hereof shall not operate to release Trustor until full payment of any deficiency has been made in cash.

11.5. Security Agreement.

This Deed of Trust constitutes and shall be deemed to be a "security agreement" for all purposes of the Uniform Commercial Code of Arizona and Beneficiary shall be entitled to all the rights and remedies of a "secured party" under such Uniform Commercial Code of Arizona. This Deed of Trust shall be recorded and filed in the real property records accordingly.

12. That as additional security, Trustor hereby gives to and confers upon Beneficiary the right, power and authority, during the continuance of this Trust, to collect the property income, reserving to Trustor the right, prior to any default by Trustor in payment of any indebtedness secured hereby or in performance of any agreement hereunder, to collect and retain such property income as it becomes due and payable. Upon any such default Beneficiary may at any time without notice, either in person, by agent or by a receiver to be appointed by a court, and without regard to the adequacy of any security for the indebtedness hereby secured, enter upon and take possession of said property or any part thereof, in its own name sue for or otherwise collect such property income, including reasonable attorney's fees, upon any indebtedness secured hereby, and in such order as Beneficiary may determine. The entering upon and taking possession of said property, the collection of such property income and the application thereof as aforesaid, shall not cure or waive any default or notice of Trustee's sale hereunder or invalidate any act done pursuant to such notice.

13. That upon default by Trustor the payment of any indebtedness hereby or in performance of any agreement hereunder, Beneficiary may declare all sums secured hereby immediately due and payable by delivery to Trustee of written notice thereof, setting forth the nature thereof and of election to cause to be sold said property under this Deed of Trust. Beneficiary also shall deposit with Trustee this Did of Trust, said note(s) and all documents evidencing expenditures secured hereby.

14. Trustee shall record and give notice of Trustee's sale in a manner required by law, and after the lapse of such time as may then be required by law, Trustee shall sell, in the manner required by law, said property at public auction at the time and place affixed by it in said notice of Trustee's sale to the highest bidder for cash in lawful money of the United States of America, payable at time of sale. Trustee may postpone or continue the sale by giving notice of postponement or continuance by public declaration at the time and place last appointed for the sale. Trustee shall deliver to such purchaser its Deed conveying the property so sold, but without any covenant or warranty, expressed or implied. Any persons, including Trustor, Trustee or Beneficiary, may purchase at such sale.

15. After deducting all costs, fees and expenses of Trustee and of this Trust, including cost of evidence of title in connection with sale and reasonable attorney's fees, Trustee shall apply the proceeds of the sale to payment of all sums then secured hereby and all other sums due, under the terms hereof, with accrued interest, and, the remainder, if any, to the person or persons legally entitled thereto, or as provided in A.R.S. Sec. 33-812. To the extent permitted by law, an action may be maintained by Beneficiary to recover a deficiency judgment for any balance due hereunder.

    The purchaser at the Trustee's sale shall be entitled to immediate possession of the property against Trustor and shall have a right to the summary proceedings to obtain possession provided in Title 12, Chapter 8, Article 4, Arizona Revised Statues, together with costs and reasonable attorney's fees. In lieu of sale pursuant to the power of sale conferred hereby, this Deed of Trust may be foreclosed in the same manner provided by law for the foreclosure of mortgages on real property. Beneficiary shall also have all other rights and remedies available to it hereunder and at law or in equity. All rights and remedies shall be cumulative.

16. That Beneficiary may appoint a successor Trustee in the manner prescribed by law. A successor Trustee here shall, without conveyance from the predecessor Trustee, succeed to all the predecessor's title, estate, right, powers and duties. Trustee may resign by mailing or delivering notice thereof to Beneficiary and Trustor.

17. That this Deed of Trust applies to, inures to the benefit of, and binds all parties hereto, their heirs, legatees, devisees, administrators, executors, successors and assigns. The term Beneficiary shall mean the owner and holder of the note(s) secured hereby, whether or not named as Beneficiary herein. In this Deed of Trust, whenever the context so requires, the masculine gender includes the feminine and neuter, and the singular number includes the plural.

18. That Trustee accepts this Trust when this Deed of Trust duly executed a n d acknowledged, is made a public record as provided by law. Trustee is not obligated to notify any party hereto of pending sale under any other Deed of Trust or of any action or proceeding in which Trustor, Beneficiary or Trustee shall be a party unless brought by Trustee. In the event Trustee is made a party in any legal or court proceeding as a result of litigation between Trustor and Beneficiary or between a third party and either or both of Trustor and/or Beneficiary, the attorney's fees and costs of Trustee shall be paid by either Trustor or Beneficiary, whichever is the non-prevailing party.

19. Time is of the essence of the Deed of Trust and each and every provision hereof.

20. Trustor requests that a copy of any notice of Trustee's sale hereunder be mailed to Trustor at Trustor's mailing address hereinbefore set forth. All notices required hereby shall be sent to the addresses indicated above unless such party shall have recorded a Request for Notice pursuant to A.R.S. Sec. 33-809.A in the county recorder's office of the county where the property encumbered hereby is located, indicating a different address.

21. In the event that Trustor shall sell, convey, or alienate or otherwise transfer the subject property, or any part thereof, or any interest therein, or shall be divested of title or any interest therein in any manner or way, whether voluntarily or involuntarily, without the written consent of Beneficiary being first obtained, said Beneficiary, to the fullest extent provided by law, shall have the right at its option to declare any indebtedness or obligation secured by this Deed of Trust, irrespective of the maturity date specified in the Note evidencing the same, immediately due and payable.

22. Trustor waives, to the extent permitted by law, (a) the benefit of all laws now existing or that may hereafter be enacted providing for any appraisement before sale of any portion of the Trust Estate, and (b) all rights of redemption, valuation, appraisement, stay of execution, notice of election to mature or declare due the obligations and marshaling in the event of foreclosure of the liens hereby created and (c) all rights and remedies that Trustor may have or be able to assert by reason of the laws of the State of Arizona pertaining to the rights and remedies of sureties including, without limitation, A.R.S. §§ 12-1641 through 12-1646, and Arizona Rules of Civil Procedure 17(f).

23. All obligations of Trustor herein shall be the joint and several obligations of each party executing this Deed of Trust as Trustor.

24. If any provision of this Deed of Trust is unenforceable, the enforceability of the other provisions shall not be affected and they shall remain in full force and effect. If the lien of this Deed of Trust is invalid or unenforceable as to any part of the debt, or if the lien is invalid or unenforceable as to any of the Trust Estate, the unsecured or partially secured portion of the debt shall be completely paid prior to the payment of the remaining and secured or partially secured portion of the debt, and all payments made on the debt, whether voluntary or under foreclosure or other enforcement action or procedure, shall be considered to have been first paid on and applied to the full payment of that portion of the debt which is not secured or fully secured by the lien of this Deed of Trust.

IN WITNESS WHEREOF, Trustor has executed this Deed of Trust as of the day and year first above written.

TRUSTOR:

_____

By: _____

Title: _____

STATE OF ARIZONA)
) ss.
County of Yavapai)

On this_____day of_____, 202___, before me, the undersigned Notary Public, personally appeared_____, who acknowledged himself/herself to be the _____ of_____, and that as such, being authorized so to do, executed the foregoing instrument for the purposes therein contained.

IN WITNESS WHEREOF, I hereunto set my hand and official seal.

_____

Notary Public

My Commission Expires:

_____

When recorded, mail to:

Office of the City Clerk
City of Sedona, Arizona
102 Roadrunner Drive
Sedona, AZ 86336

CITY OF SEDONA AFFORDABLE HOUSING
LOAN SECURED PROMISSORY NOTE

$_____

_____, 202__
Sedona, Arizona

FOR VALUE RECEIVED, _____ ("Maker") promises to pay to the City of Sedona, an Arizona municipal corporation ("Payee"), at 102 Roadrunner Drive, Sedona, AZ 86336, or at such other place as the Payee may designate pursuant to paragraph 10 below, in lawful money of the United States of America, the principal sum of _____ ($_____) (the "City Loan") advanced under the Land Lease Agreement between Maker and Payee dated the ___ day of _____ 202__ (the "Land Lease").

1. The sums advanced under this City of Sedona Affordable Housing Loan Secured Promissory Note (the "Note") shall be used to construct thirty-five (35) to fifty (50) affordable housing units on Payee property located at _____, Sedona, Arizona 86336, as legally described in Exhibit 1 attached to this Note and incorporated herein by this reference (the "Property"). Payment of this Note will be secured by a Deed of Trust and Assignment of Rents (the "Deed of Trust") from the Maker to Payee to be recorded against the Property.

2. Subject to Section 4 below, the Maker shall pay the Payee monthly installments of principal and interest at the rate of 4.44 % (the January 2025 long-term Applicable Federal Rate compounded monthly ("AFR")) per annum, beginning on the expiration of the Construction Term in the Land Lease or upon completion of the Project as defined in the Land Lease, and continuing on the 1st day of each month thereafter, together with all outstanding and accrued interest on the City Loan amount. The term of this Note shall be thirty (30) years from the date written above, provided however, that no event of default under this Note shall have occurred during said term. If an event of default occurs during the term of this Note, said term shall not expire unless the default is cured as provided herein or until this Note is paid in full. Upon payment in full of the obligations under this Note, the debt evidenced by this Note shall be forgiven.

3. Maker shall have the right to prepay this Note, in whole, without penalty, discount, or premium.

4. The occurrence of any of the following shall constitute an event of default under this Note: Maker fails to pay any amount due hereunder within fifteen (15) days of written demand; or (ii) any sale, lease, exchange, conveyance, assignment, refinance or other transfer of the Property without the prior written consent of Payee.

5. Upon the occurrence of any event of default, or at any time thereafter, at the option of the Payee, the entire unpaid principal sum of this Note shall become immediately due and payable, after the expiration of any applicable notice and cure periods. This option may be exercised at any time following any such event. The failure to exercise this option shall not constitute a waiver of the right to exercise such option in any subsequent even of default. Payee's failure in the exercise of any other right or remedy hereunder or under any agreement which secures the indebtedness or is related thereto shall not affect any right or remedy and no single or partial exercise of any such right or remedy shall preclude any further exercise thereof.

6. Payee shall not exercise any right or remedy provided for herein because of any default of maker unless, in the event of a monetary default, Maker shall have failed to pay the outstanding sums within a period of thirty (30) calendar days after the date of the notice that payment was due, or in the event of a nonmonetary default, Payee shall have first given written notice thereof to Maker, and Maker shall have failed to cure the nonmonetary default within a period of thirty (30) calendar days after the date of such notice; provided that if the nonmonetary default cannot be cured within thirty (30) calendar days and Maker proceeds diligently with effort to cure such default until it shall be fully cured within no more than ninety (90) calendar days after the giving of such notice, Payee shall not exercise any right or remedy provided for herein until such ninety (90) day period shall expire. Notwithstanding the foregoing, Payee shall not be required to give any notice or allow any part of the grace period if Maker shall have filed a petition in bankruptcy or for reorganization or a bill in equity or otherwise initiated proceedings for the appointment of a receiver of its assets, or if Maker shall have made an assignment for the benefit of creditors, or if a receiver or trustee is appointed for Maker and such appointment or such receivership is not terminated within sixty (60) days of such appointment. With respect to any right to cure or cure period provided in this paragraph 7, performance of a cure by an entity or partner of Maker shall have the same effect as would like performance by Maker.

7. Maker and any endorsers hereof and all others who may become liable for all or any part of this obligation, severally waive presentment for payment, demand and protest and notice of protest, and of dishonor and nonpayment of this Note, and expressly consent to any extension of the time of payment hereof, or of any installment hereof, to the release of any party liable for this obligation. Any such extension or release may be made without notice to any of said parties and without in any way affecting or discharging this liability.

8. Maker shall pay immediately, upon demand, all costs and expenses of Payee, including without limitation reasonable attorney fees, for the collection of this Note upon default. Maker shall pay immediately, upon demand, all costs and expenses of Payee, including without limitation reasonable attorney's fees, if Payee seeks to have the Property abandoned by or reclaimed from any estate in bankruptcy, or attempts to have any stay or injunction prohibiting the enforcement or collection of the Note or prohibiting the enforcement of the Deed of Trust or any other agreement evidencing or securing this Note lifted by any bankruptcy or other court.

9. If Payee shall be made a party to or shall reasonably intervene in any action or proceeding, whether in court or before any governmental agency, affecting the Property or the title thereto or the interest of the Payee under the Deed of Trust, including without limitation, any form of condemnation or eminent domain proceeding, Maker shall reimburse Payee immediately upon

demand for all costs, charges, and attorneys' fees incurred by payee in any such case, and the same shall be secured by the Deed of Trust as a further charge and lien upon the Property.

10. All payments required under this Note shall be delivered to the Payee at the City of Sedona, 102 Roadrunner Drive, Sedona, AZ, 86336 or such other place as the Payee notifies Maker in writing.

11. This Note shall be binding upon Maker, its successors and assigns and shall inure to the benefit of Holder and any subsequent holder of all or any portion of this Note, and their respective successors and assigns. Holder may from time to time transfer all or any part of its interest in this Note and the Loan Documents, without notice to Maker.

12. This Note shall be construed in accordance with and be governed by the laws of the State of Arizona.

13. If any provision of this Note shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions hereof shall not in any way be affected or impaired thereby.

14. This Note shall be secured by the Deed of Trust encumbering the Property as set forth in paragraph 1 above.

15. No amendment, modification, change, waiver, release, or discharge hereof and hereunder shall be effective unless evidenced by an instrument in writing and signed by the party against whom enforcement is sought.

Remainder of Page Intentionally Blank.

EXHIBIT 1

CITY OF SEDONA AFFORDABLE HOUSING LOAN SECURED PROMISSORY NOTE

LEGAL DESCRIPTION OF PROPERTY

The Land referred to herein below is situated in the County of Yavapai, State of Arizona, and is described as follows:

_____

_____

_____

_____

_____

_____

APN: _____

IN WITNESS WHEREOF, the undersigned Maker has executed this Note on the date first written above.

MAKER:

By: _____

Title: _____

Date: _____

STATE OF ARIZONA)
) ss.
County of Yavapai)

On this_____day of_____, 202__, before me, the undersigned Notary Public, personally appeared_____,who acknowledged himself/herself to be the_____, and that as such, being authorized so to do, executed the foregoing instrument for the purposes therein contained.

IN WITNESS WHEREOF, I hereunto set my hand and official seal.

_____
Notary Public

My Commission Expires:

_____

EXHIBIT E TO LAND LEASE AND LOAN AGREEMENT

Permitted Encumbrance

(To Be Determined based on Lessee's response to
Request for Proposal No. 25-12RFP)

EXHIBIT F TO LAND LEASE AND LOAN AGREEMENT

Schedule of Performance

(To Be Determined based on Lessee's response to
Request for Proposal No. 25-12RFP)

EXHIBIT G TO LAND LEASE AND LOAN AGREEMENT

Budget

(To Be Determined based on Lessee's response to
Request for Proposal No. 25-12RFP)

Attachment C to Lease Option Agreement

Memorandum of Option

This Memorandum is entered into this ___ day of _____, 2025, between City of Sedona, an Arizona municipal corporation ("Optionor") and _____ ("Optionee").

Optionor and Optionee have entered into that certain Option Agreement, dated as of _____, 2025 (the "Option Agreement"), whereby Optionee was granted an exclusive option (the "Option") to lease from Optionor that certain real property described on Exhibit A attached hereto and incorporated herein by this reference (the "Property") pursuant to the provisions of the Option Agreement.

Optionor and Optionee desire to give actual and constructive notice to all persons dealing with the Property that Optionee has a vested and binding Option to lease the Property pursuant to the terms of the Option Agreement.

The Option will continue in full force and effect until the earlier of (i) the final exercise date determined in accordance with the terms and conditions of the Option Agreement (as such date may be specified in an instrument executed by Optionor and Optionee and recorded after the date hereof), or (ii) the date that the Option is terminated in accordance with the terms and conditions of the Option Agreement.

A copy of the Option Agreement is in the possession of both Optionor and Optionee. In the event of any conflict between this Memorandum of Option Agreement and the Option Agreement, the Option Agreement will control.

In witness whereof, the parties have executed this Memorandum of Option Agreement as of the date first set forth above.

[signatures and notarial acknowledgements appear on following pages]

Signatures for Memorandum of Option Agreement:

OPTIONOR: City of Sedona

By: _____
Its: _____

STATE OF ARIZONA)
)ss.
County of Yavapai)

The foregoing Memorandum of Option Agreement was acknowledged before me this ____ day of _____, 2025 by _____ as _____ on behalf of City of Sedona.

_____
My commission expires: Notary Public

OPTIONEE: _____

By: _____
Its: _____

STATE OF OHIO)
)ss.
County of)

The foregoing Memorandum of Option Agreement was acknowledged before me this ____ day of _____, 2025 by _____, _____, _____.

_____
My commission expires: Notary Public

EXHIBIT C

25-12RFP

CITY OF SEDONA

REQUEST FOR PROPOSAL

No. 25-12RFP

LIHTC DEVELOPMENT & MANAGEMENT

City of Sedona exclusively uses its eProcurement System (https://sedonaaz.bonfirehub.com/portal/?tab=openOpportunities) for the notification and dissemination of all solicitations. The receipt of solicitations through any other means may result in your receipt of incomplete specifications and/or addendums which could ultimately render your bid/proposal non-compliant/non-responsive. The City of Sedona accepts no responsibility for the receipt and/or notification of solicitations through any other means.

REQUEST FOR PROPOSAL

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SECTION I - INSTRUCTIONS TO RESPONDENTS

1. PURPOSE

The City of Sedona (the "City") is soliciting sealed proposals from qualified affordable housing developers with sufficient experience and capacity to build, finance, and manage Low-income Housing Tax Credit (LIHTC) affordable housing. The successful firm will construct new affordable multifamily housing on a property the City is acquiring, located at 2411 W. State Route 89A (the "Property") in accordance with the included specifications, terms, and conditions of this Request for Proposal (RFP). This RFP is being released to identify experienced and eligible affordable housing developers wishing to develop, construct, and operate affordable multifamily rental housing (the Project"). Prospective respondents are advised to read this entire RFP carefully prior to submitting a proposal.

Award of the Project is contingent upon: 1.) developer applying for a 9% LIHTC through the Arizona Department of Housing by the April 1, 2025 application deadline (application forms available 2025 QAP Application Forms 9% LIHTC | Department of Housing), and 2.) developer being selected by the Arizona Department of Housing to receive a 9% LIHTC award pursuant to the 2024-2025 Qualified Allocation Plan (QAP) which can be reviewed here: 2024-2025_Final_QAP.pdf. The City will enter into a short-term Lease Option Agreement with the selected developer in order for the developer to demonstrate site control in its 9% LIHTC Application Form. The City will negotiate and enter into a long-term land lease with the selected developer, to include a loan agreement, Deed of Trust and Promissory Note if selected developer obtains a loan from the City. Additionally, the selected developer is required to enter into a Land Use Restriction Agreement (LURA). To be considered, proposals must meet all State of Arizona LIHTC requirements. 100% of the total units within the development are to be affordable rental units to low- to moderate-income households.

The City anticipates selecting one project that is ready to proceed and will submit for a 9% LIHTC in the April 1, 2025, round. The selected developer is responsible to paying all LIHTC application fees to the Arizona Department of Housing.

A virtual pre-submittal meeting is scheduled for 10:00 a.m. Monday, January13, 2025, via Teams Meeting at Meeting ID: 292 037 762 133 Passcode: pA6Bn23j

2. SCOPE OF WORK:

Contained within the Scope of Work (Section IV) are specific objectives which will be required of the awarded respondent. The City of Sedona shall retain the ability to revise this scope as necessary through Addenda to this RFP, contract negotiations, or amendment(s) to the awarded lease.

3. SUBMITTAL REQUIREMENTS:

Respondents shall submit proposals via the eProcurement system in PDF format. Proposals will be received by the City until the date and time listed in Section I.13 Proposed Schedule.

4. RFP FORMAT:

To assist in the evaluation process, proposals should contain the following information. The submittal shall be a minimum of 11-point font. Proposals shall be submitted in the format outlined below. Proposals must be valid for a period of one hundred eighty (180) calendar days from the proposal submittal deadline. Failure to provide any of the following information in the submitted proposal may result in the submission being deemed non-responsive and rejected.

Proposals shall include the following required information:

A. LIHTC Experience

List a minimum of three (3) LIHTC or federally subsidized low-income housing projects demonstrating the Applicant's experience with development, design and management of community housing completed by the applicant within the last ten (10) years. Applicants should list the projects which best illustrate the experience of the firm and current staff to be assigned to work on this project. Consideration will only be given to the successful completion of previous projects. Preference will be given to Applicants who demonstrate prior experience with LIHTC affordable housing projects. Respondents shall provide documentation of the Applicant's professional management, design, engineering and construction team's individual qualifications to complete affordable housing projects. Include management and technical support staff. Applicants should identify at least three (3) and no more than five (5) professional/technical staff members from their management, design, and engineering teams that will be assigned to the Project. A brief resume should be provided for each staff member showing their experience with affordable housing projects. Please provide contact information for the entities listed in each resume. All respondents must provide a Certificate of Attendance for the December 12th, 2024, Arizona Department of Housing Mandatory 2025 QAP LIHTC Application Workshop.

B. Proposed Financing Feasibility and Leveraging

I. Project Financing: Applicants must describe their plan to finance the project construction and management. Preference will be given to Applicants who demonstrate their capability to finance the Project independently, with less direct financial investment by the City. Applicants should include with their submittal a statement that answers the following:

a. Describe the financing strategy and proposed methods that will be utilized to identify and obtain the maximum funding required to construct and manage the Project. Applicants should specify the amount of funding needed for completion of the Project as proposed by the Applicant, the source(s) of funding Applicant anticipates using, and how the Applicant will secure such funding (specify grant application deadlines if applicable). All financial source application timelines must be included in the overall Project Timeline. To the extent Applicant's proposal requires any direct financial contribution to the Project by the City, the Applicant must specify the maximum amount of expected investment, including specific terms of the investment, as well as rationale for the need of City funds. Applicants shall provide a Project Development Budget, a 10 Year Operating Proforma, and a Sources and Uses Statement. The City is prepared to offer up to a 30-year, fixed-rate loan

for the construction of the Project per the terms outlined in the draft Land Lease and Loan Agreement. The City will consider negotiating a lease term longer than thirty years as specified in Section IV.III.1.All other sources of financing will be subordinate to the City's loan if the City is the primary lender.

b. Describe the Applicant's approach to managing the financial risk associated with affordable housing development. In the event the Applicant anticipates that tariffs; lower than anticipated equity prices; construction or permanent loan interest rate increases will impact finishes, amenities, or reasonably anticipated operating projections, please indicate those concerns and describe how the Applicant would address those issues.
c. Demonstrate that the Respondent possesses an understanding of state and local requirements and procedures that will enable necessary equity to be raised and the effort to be efficiently completed.

II. Financial Responsibility:

a. Provide information demonstrating how many years your firm has been providing affordable and workforce housing construction and management.
b. Provide a copy of the firm's latest three years financial statements, Audits, and Single Audits, if available.
c. Provide a Schedule of the firm's Real Estate Owned.
d. Provide the firm's legal entity (e.g. sole proprietorship, LLC, etc.)
e. Provide bank references and any other information the applicant may wish to supply to verify financial responsibility.
f. Describe financing techniques for raising capital that your organization has employed.
g. Describe your approach to managing the financial risk associated with affordable and workforce housing development.

C. Development Quality

I. Applicants must include with their submittal a narrative describing their proposed concept and approach to completing and managing the Project. This part of the submittal should include, at a minimum, the following elements:
    a. Total Number of Housing Units Proposed.
    b. Proposed Unit Mix.

II. Project Schedule: Applicants should offer a proposed timeline for completion of the Project, including any required pre-construction activities and implementation of leasing operations.

III. Applicant must demonstrate how well the units blend into the existing community character, enhancing and complementing surrounding area.

IV. Applicant must demonstrate project's sensitivity to the natural environment, including sustainability measures, conservation, protection of environmental resources, green building, use of high-performance building materials and design, energy efficiency, etc.

V. Applicant must include representative floor plans, elevations, and conceptual site plans.

VI. Marketing/Leasing Plan: Applicants must include a description of how they will market, and lease completed units to eligible tenants

D. Management Plan Applicants must describe their comprehensive plan to manage the completed Project. The plan must address rental procedures, provision of utilities to residents, eviction procedures, maintenance schedule and standards (including remodeling schedule: painting interior and exterior, replacing flooring, remodeling bathrooms and kitchens, landscaping and parking lot maintenance, etc., over the term of the lease), and overall day-to-day operations including safety and security. Applicants must specify whether a third-party will be contracted for the provision of property management services. Applicants must demonstrate their experience with income-qualifying, monitoring and compliance as it relates to affordable housing leasing activities.

E. Affordability Applicants must include the proposed mix of affordable units. The City requires 100% of units to be affordable units. Scoring will be based on the number or percentage of affordable units and/or depth and variety of income targeting (i.e. 40% - 60%,AMI) proposed. Applicants must demonstrate commitment to performing annual income recertifications and adjusting unit affordability accordingly. In effect, this means that a household initially living in a 40% AMI unit and whose household income rises to 60% AMI would have their rent adjusted to the 60% AMI level, and the next available unit would be made available to a household earning 40% AMI.

5. QUESTIONS:

All explanations desired by a respondent regarding the meaning or interpretation of this Request for Proposals, or any part thereof, must be requested in writing via the eProcurement system or directed to the project representative by email and shall be received no later than the date and time specified in Section I.13. Proposed Schedule.

CITY OF SEDONA PROJECT REPRESENTATIVE:

Ian Coubrough, CPPB
Procurement Officer
icoubrough@sedonaaz.gov

6. INSTRUCTIONS TO RESPONDENTS

The City of Sedona exclusively uses its eProcurement system, https://sedonaaz.bonfirehub.com/portal/?tab=openOpportunities, for the dissemination of all formal solicitations. The receipt of solicitations through any other means may result in your receipt of incomplete specifications and/or addenda which could ultimately render your bid/proposal non-compliant/non-responsive. The City accepts no responsibility for the receipt and/or notification of solicitations through any other means.

7. RFP TRANSPARENCY

Beginning on the date this RFP is issued and continuing until either the date a lease is awarded or this RFP is withdrawn by the City, all persons or entities who respond or intend to respond to this RFP, including without limitation their employees, agents, representatives, partners, subcontractors, consultants, joint venturers, members, lobbyists, or attorneys (collectively, "firm"), shall only discuss matters associated with this RFP with the designated City project representative and shall not have any direct or indirect contact about this RFP with any other City staff,

agent, or official. Firms who violate this policy shall be disqualified from participating in this RFP.

8. WITHDRAWAL OF PROPOSALS

A proposal may be withdrawn before the opening date by submitting a written request for its withdrawal, signed by firm's authorized representative, to the designated City employee.

9. INTENT OF THE CITY

The objective of this RFP is to provide sufficient information to enable qualified respondents to submit written proposals. This RFP is not a contractual offer or commitment. Contents of this RFP and respondent's submittal will be used for establishment of final contractual obligation in the form of a lease. It is to be understood that this RFP document and the respondent's proposal may be attached or included by reference in an agreement between the City and successful respondent.

10. BASIS FOR SELECTION

Proposals will be evaluated utilizing the criteria listed on the following page.

CRITERIA	POINTS
LIHTC Experience	40
Proposed Financing Feasibility and Leveraging	25
Development Quality	20
Management Plan	10
Affordability	5

All proposals will be evaluated based on the technical and professional expertise and the experience of the firm, the proposed method, the procedures of the work, the timeline/schedule, and the cost of the proposal. The apparent ability of the firm to be independent and objective in performing the requested work will also be considered.

A. LIHTC Experience

1. Applicant must demonstrate prior experience in applying for, receiving, and complying with the requirements of one or more LIHTC awards.
2. Applicants who demonstrate more LIHTC or federally subsidized housing project experience will be scored more favorably.
3. Applicant must demonstrate that its team includes persons with LIHTC experience who will complete the 9% LIHTC application and monitor compliance with the anticipated LIHTC award.
4. Applicant has successfully completed other residential development in Arizona.
5. Applicant has demonstrated experience with management of similar residential properties.
6. Applicant has demonstrated experience securing financing for affordable housing development or similar.
7. Respondents who do not submit a copy of their certificate of attendance for the QAP Workshop specified in Section 4.A. are not eligible for award and may be disqualified.

B. Proposed Financing Feasibility and Leveraging

1. Proposed financing is feasible, sustainable and sufficient with the 9% LIHTC and associated City loan for completion of development and ongoing financial stability of the completed project during the term of the lease.
2. Proposals with evidence of commitments of construction and permanent financing will be preferable to those without commitments. Reasonableness of project costs, demonstrated access to capital, and capital structure will be considered.
3. Proposed project budgets with the lowest direct cost to the City of Sedona will be scored more favorably.

C. Development Quality

1. Applicant must demonstrate project's relevance to addressing the housing needs targeted in this RFP.
2. Applicant must demonstrate how well the units blend into the existing community character, enhancing and complementing the surrounding area.
3. Applicant must demonstrate project's sensitivity to the natural environment, including sustainability measures, conservation, protection of environmental resources, green building, use of high-performance building materials and design, energy efficiency, etc.
4. Applicant must include representative floor plans, elevations, and conceptual site plans that include the number and mix of proposed housing units for the project (i.e. studio, one-bedroom, two bedroom, etc.).

D. Management Plan

1. Applicant must demonstrate prior management experience with comparable size and type rental properties.
2. Applicant must demonstrate Housing Plan completeness and feasibility, including rent calculations inclusive of utility allowance, income qualifying, monitoring, reporting and compliance.

3. Applicant must demonstrate management experience with income-restricted rental properties.
4. Schedule of remodeling (including painting interior and exterior, replacing flooring, remodeling bathrooms and kitchens, landscape and parking lot maintenance, etc., over the term of the lease).
5. Applicant must describe the plan for performing annual income recertifications and adjusting unit affordability.

E. Affordability

1. Applicant must describe the income mix and those who provide a diverse range based on the needs of the community will be scored more preferably.

11. REQUIRED INSURANCE

Insurance requirements are listed in Paragraph 16 and Exhibit B of the attached sample Land Lease and Loan Agreement, Section V (Attachment B to the Lease Option Agreement).

12. SAMPLE AGREEMENT

The sample Land Lease and Loan Agreement attached hereto is provided as an example upon which the lease with the successful firm will be based but is subject to negotiation and amendment by the City.

13. PROPOSED SCHEDULE

The tentative timeline established by the City for its selection process is as follows. This timeline is subject to change by the City. All times listed in this RFP are as determined by reference to www.time.gov referencing the Arizona area.

Issue Request for Proposals…… January 2, 2025
Pre-Submittal Meeting……....10:00 a.m. January 13, 2025
Question Deadline……....2:00 p.m. January 21, 2025
Submittal Deadline……...2:00 pm. January 30, 2025
City Completes Evaluation & City Council Award..……February 2025

14. REQUIRED BONDS

Performance and Payment Bond requirements are listed in Paragraph 5(F) and Exhibit C of the attached sample Land Lease and Loan Agreement, Section V, Attachment B to the Lease Option Agreement.

15. SUBMITTAL DOCUMENTS CHECKLIST

- Section III - Submittal Form
- Firm Experience and Resumes (Section I.4.A)
- QAP Workshop Certificate of Participation (Section I.4.A)
- Project Development Budget (Section 1.4.B.I)

- 10 Year Operating Proforma (Section 1.4.B.I)
- Sources & Uses Statement (Section 1.4.B.I)
- Financial Statements (Section 1.4.B.II.b)
- Schedule of Owned Real Estate (Section 1.4.B.II.c)
- Narrative (Section I.4.C.I)
- Project Schedule (Section I.4.C.III)
- Marketing/Leasing Plan (Section 1.4.C.IV)
- Property Management Plan & Experience (Section I.4.D)
- Housing Plan (Section 1.4.D)

[*Remainder of Page Intentionally Left Blank*]

SECTION II - TERMS AND CONDITIONS

This RFP does not commit the City to award a lease or to defray any costs incurred in the preparation of a response to this request. City reserves the right to extend the date by which submittals are due. City reserves the right to cancel, in part or in its entirety, this RFP including but not limited to: selection schedule, submittal date, and submittal requirements. The City reserves the right to reject any and all responses, in part or in whole, and to accept responses which, in its sole discretion and opinion, appear to be responsive.

1. DEFINITIONS

The City of Sedona herein referred to as "City" as used in these RFP documents shall be construed as to include the City Council, all employees, officers, and agents of the City. The "Applicant/Developer/Firm/Proposer/Offeror" is named as such in the RFP/Contract Documents and is referred to in generic terms as if the Applicant/Developer/Firm/Proposer/Offeror were of singular number and masculine or feminine gender.

2. ADDENDA

Addenda issued prior to the RFP Deadline shall be included in the proposal and made part of the lease. Any addenda issued during the time of proposing shall be posted to the City's eProcurement system at https://sedonaaz.bonfirehub.com/portal/?tab=openOpportunities and a copy will be emailed to all known proposers. The Proposer shall be responsible for confirming they are in receipt of all addenda prior to submission of their proposal and shall acknowledge each addendum received on the Section III – Submittal Form.

3. DISQUALIFICATION OF PROPOSER

The City may refuse to consider proposals from Proposers believed to have participated in collusion. Proposers may only submit one (1) proposal in response to this RFP. If the City has reason to believe a proposer is interested in more than one (1) proposal for this RFP, the City may reject all proposals from that Proposer.

4. MODIFICATIONS/EXCEPTIONS

Proposers shall not change or make additions to the RFP documents. Any such changes or additions may result in the City's rejection of the proposal as being non-responsive to this invitation to propose. Any exceptions a proposer takes to the RFP or Contract Documents shall be noted in Section VI – Exceptions to RFP & Land Lease and Loan Agreement Documents. No oral, telephonic, telegraphic, email, or facsimile proposals or modifications will be considered.

The City encourages Proposers to send questions to the Procurement Officer prior to the deadline for questions rather than including exceptions in their proposal. The City reserves the right to reject any exceptions proposed.

5. LATE PROPOSALS

Proposals must be through the eProcurement System before the specified time and date proposals are due. Proposals received after the submission deadline shall be rejected as non-responsive proposals.

6. BUSINESS IN ARIZONA

The City will not enter into contracts with Offerors (or any company(ies)) not granted authority to transact business, or not in good standing, in the state of Arizona by the Arizona Corporation Commission, unless the Offeror asserts a statutory exception prior to entering into a contract with the City.

7. LICENSES

If required by law for the operation of the business or work related to this RFP, Offeror must possess all valid certifications and/or licenses as required by federal, state or local laws at the time of submittal.

8. AWARD OF PROPOSAL/LEASE

Award of proposal will be made to one (1) firm pursuant to the requirements of this RFP. The Award is contingent upon: 1) developer applying for a 9% LIHTC through the Arizona Department of Housing by the April 1, 2025 application deadline, and 2) developer being selected by the Arizona Department of Housing to receive a 9% LIHTC award.

The Successful Proposer shall be required to enter into a written lease with the City in a form based on the Sample Land Lease and Loan Agreement, Section V, and approved by legal counsel of the City. This RFP and the proposal, or any part thereof, is incorporated into and made part of the final lease. The City reserves the right to negotiate the terms and conditions of the lease with the Successful Proposer.

The Successful Proposer, the short-term Lease Option Agreement, the Land Lease and Loan Agreement (including the Promissory Note, Deed of Trust and Permitted Encumbrance form), and the Land Use Restriction Agreement (LURA) require approval by the Sedona City Council. The Successful Proposer is required to execute the Lease Option Agreement within thirty (30) days of City Council approval. The Successful Proposer is required to execute the LURA, Lease and Loan Agreement (including Promissory Note, Deed of Trust and Permitted Encumbrance form), and the LURA by July 2, 2025. Failure to timely execute the Lease Option Agreement may result in the City withdrawing the award of proposal and entering into negotiations with the second-ranked firm. Failure to timely execute the Land Lease and Loan Agreement (including the Promissory Note, Deed of Trust and Permitted Encumbrance form), and the LURA may result in the City cancelling this RFP.

The City reserves the right to accept or reject in part or in whole any proposal submitted, and to waive any technicalities or informalities for the best interest of the City.

9. NON-DISCRIMINATION

The Developer shall comply with State of Arizona Executive Order No. 2023-01 and any and all other applicable Federal and State laws, rules, and regulations, including the Americans with Disabilities Act. Additionally, Developer shall comply with Chapter 9.30, Human Rights, of the Sedona City Code, found at: https://sedona.municipal.codes/SCC/9.30.010.

10. ABILITY TO MEET OBLIGATIONS

By submitting a proposal, the Proposer affirms there are no actions, suits or proceedings of any kind pending against Proposer or, to the knowledge of the Proposer, threatened against Proposer before or by any court, governmental body or agency, or other tribunal or authority which would, if adversely determined, have a materially adverse effect on the authority or ability of Proposer to perform its obligations under the lease, or which question the legality, validity or enforceability hereof or thereof.

11. UNDUE INFLUENCE

By submitting a proposal, the Proposer declares and warrants that no undue influence or pressure is or has been used against or in connection with any officer or employee of the City in connection with award or terms of the lease that will be executed as a result of this RFP, including any method of coercion, confidential financial arrangement, or financial inducement. No officer or employee of the City will receive compensation, directly or indirectly, from the Proposer, or from any officer, employee, or agent of the Proposer, in connection with award of the lease. Violation of this section shall be a material breach of the lease entitling the City to any and all remedies by law or in equity.

12. PROTESTS AND APPEALS

The procurement policies and procedures of the Arizona State Department of Administration – State Procurement Office codified by rule apply in case of protest. Those rules are found in the Arizona Administrative Code, R2-7-A901 et seq.

13. PUBLIC RECORDS LAW

All proposals and supporting materials submitted in response to this solicitation, as well as correspondence relating to this RFP, shall become the property of the City and become a matter of public record available for review pursuant to Arizona State law. If a Proposer believes that a specific section of its proposal is confidential, the Proposer will isolate the pages marked confidential in a specific and clearly labeled section of its response. A Proposer may request specific information contained within its proposal is treated by the Procurement Officer as confidential provided the Proposer clearly labels the information “confidential.” To the extent necessary for the evaluation process, information marked as “confidential” will not be treated as confidential. Once the procurement file becomes available for public inspection, the Procurement Officer will not make any information identified by the Proposers as “confidential” available to the public unless necessary to support the evaluation process or if specifically requested in accordance with applicable public records law. When a public records request for such information is received, the Procurement Officer will notify the Proposer in writing of any request to view any portion of its proposal marked “confidential.” The Proposer will have the time set forth in the notice to obtain a court order enjoining such disclosure. If the Proposer does not provide the Procurement Officer with a court order enjoining release of the information during the designated time, the Procurement Officer will make the information requested available for inspection.

14. ERASURES, INCONSISTENT, OR ILLEGIBLE PROPOSALS

Proposals must not contain any erasures, interlineations, or other corrections unless each correction is authenticated by affixing the initials of the person signing the proposal in the margin immediately next to the correction. If the City determines that a proposal is unintelligible,

inconsistent, or ambiguous, the City may reject the proposal as being non-responsive.

15. SALES TAX

The successful Proposer shall pay all federal, state and local taxes, levies, duties, and assessments of every nature due in connection with any work and /or services under the proposal and shall indemnify and hold harmless City from any liability on account of any and all such taxes, levies, duties, assessments and deductions. Proposal prices shall include allowance for all applicable taxes, if any.

16. RESERVED RIGHTS

The City of Sedona reserves the right to:

- Reject any or all proposals received in response to this RFP,
- Withdraw the RFP at any time, at the City's sole discretion,
- Make an award under the RFP in whole or in part,
- Disqualify any bidder whose conduct and/or proposal fails to conform to the requirements of the RFP,
- Seek clarifications and revisions of proposals,
- Use proposal information obtained through interviews, and the City's investigation of a proposer's qualifications, experience, ability, or financial standing, and any materials or information submitted by the proposer in response to the City's request for clarifying information in the course of evaluation and/or selection under the RFP,
- Prior to the RFP Deadline, amend the RFP specifications to correct errors or oversights, or to supply additional information, as it becomes available,
- Prior to the RFP Deadline, direct proposers to submit proposal modifications addressing subsequent RFP amendments,
- Change any of the scheduled dates,
- Waive any requirements that are not material,
- Negotiate with the successful proposer within the scope of the RFP in the best interest of the City,
- Conduct lease negotiations with the next responsible proposer, should the City be unsuccessful in negotiating with the selected proposer,
- Utilize any and all ideas submitted in the proposals received,
- Require, unless otherwise specified in the RFP, that every offer is firm and not revocable for a period of ninety (90) calendar days from the RFP Submittal Deadline,

- Require clarification at any time during the procurement process and/or require correction of arithmetic or other apparent errors for the purpose of assuring a full and complete understanding of a proposer's proposal and/or to determine a proposer's compliance with the requirements of this RFP.

- Additionally, this RFP does not commit the City to award a lease or, to defray any costs incurred in the preparation of a response to this request All proposals become the property of the City. Except for the name of the firms, no information contained in the proposal shall be made public until after award and execution of a lease.

17. EXAMINATION OF CONTRACT DOCUMENTS

Proposers shall examine and become familiar with all RFP documents, any addenda thereto, and the sample Land Lease and Loan Agreement, collectively referred to as the Contract Documents. The failure of the Proposer to examine and become familiar with all of the Contract Documents shall in no way relieve the Proposer from any obligations of this RFP or resulting lease. No claim(s) will be allowed for additional compensation that is based on a lack of knowledge of any Contract Document.

18. DEFAULT

If the Successful Proposer fails to perform in accordance with the Contract Documents, the City may terminate the agreement, in whole or in part, in accordance with the Contract Documents.

19. INDEMNIFICATION

Indemnification requirements are listed in Paragraph 15 of the Land Lease and Loan Agreement.

20. NON-ASSIGNABILITY

Neither the Land Lease and Loan Agreement, nor any of the rights or obligations of the parties hereto, shall be assigned by either party without the written consent of the other.

21. TERM; TERMINATION.

Term. The construction term of the Lease is two (2) years or until the Certificate of Occupancy is issued, whichever comes first (the "Construction Term"). Actual construction on the Project shall begin no later than one (1) year after the Effective Date of the Construction Term. In no event shall the Construction Term last longer than two (2) years. If the Successful Proposer fails to begin construction within one (1) year from the Effective Date of the Construction Term, the City may terminate the Lease. If the Successful Proposer fails to complete construction and obtain a Certificate of Occupancy within two (2) years from the Effective Date of the Construction Term, the City may terminate the Lease.

Unless otherwise agreed to by the City, the original term of the Lease shall be for a period of thirty (30) years commencing on the expiration of the Construction Term and expiring on the same date thirty (30) years later, unless sooner terminated pursuant to the provisions contained in this Lease. The City will consider negotiating a lease term longer than thirty years as specified in Section IV.III.1.

22. SIGNATURES

Signatures on the RFP submittal and all Contract Documents as applicable shall be submitted using software that provides the City with a certifiable digital signature such as Adobe, DocuSign, or other similar software. Signatures shall be in the name of the proposer and by a person authorized to sign the Contract Documents. Signatures that do not comply with these requirements will not be accepted and will deem a proposal as non-responsive. The proposal must be executed personally by the Applicant or duly authorized partner of the partnership or duly authorized officer of the corporation. If executed by an agent, a power of attorney or other evidence of authority to act on behalf of the Applicant shall accompany the proposal to become a valid offer.

23. WAIVER OF CLAIMS

Each Offeror by submission of a response to this RFP waives any claims it has or may have against the City and the City's Representative(s) in this process and their respective employees, officers and elected officials, members, directors and partners, agents and representatives regarding the administration of the RFP process, the RFP evaluation, and the critique and selection of qualified Respondents. Submission of a proposal indicates the Offeror's and Respondent's acceptance of the evaluation technique set out in this Proposal. In this regard, Respondent acknowledges that the selection process and evaluations of proposals submitted constitute public information under Arizona law and Respondent waives any claim it has or may have regarding any information contained in or derived from such evaluations.

24. RFP DOCUMENTS

At the time of issuance, the documents listed in the Schedule of Attachments of this RFP are all of the original RFP documents included herein. Any addenda shall be issued and posted separately and shall indicate the date of issuance and addendum number and shall become part of the RFP documents.

25. DEBARMENT AND SUSPENSION

By submitting a proposal, the Proposer agrees that neither it, nor its principals are presently debarred, suspended, proposed for debarment, declared ineligible, or voluntarily excluded from participation by any federal, state or local department or agency.

26. CONFLICT OF INTEREST

The Proposer acknowledges that any lease awarded under this RFP is subject to cancellation pursuant to the provisions of A.R.S. § 38-511.

SECTION III - SUBMITTAL FORM

In response to the Request for Proposals, the undersigned respondent hereby states its qualifications to build, finance, and manage affordable workforce housing in strict accordance with the terms of this Request for Proposals and the executed lease for:

LIHTC DEVELOPMENT & MANAGEMENT

Respondent certifies that he/she has examined and is fully familiar with all the provisions of the Request for Proposals and any addendum thereto, and all other Contract Documents; that they are submitting a proposal in strict accordance with the Instructions in this document; and that they have carefully reviewed the accuracy of all attachments to this proposal.

Respondent certifies that they have examined the proposal documents thoroughly, studied and carefully correlated respondent's observations with the proposal documents and all other matters which can in any way affect the work.

Respondent agrees that this proposal constitutes a firm offer to the City which cannot be altered, amended, or withdrawn by the respondent for one hundred eighty (180) calendar days from submittal deadline date. If awarded the RFP, respondent agrees to execute and deliver to the City within thirty (30) calendar days after approval by the Sedona City Council, the executed Lease Option Agreement and by July 2, 2025, the Land Lease and Loan Agreement (including the Promissory Note, Deed of Trust and Permitted Encumbrance form) and the LURA. Additionally, the required Certificates of Insurance and the required Performance and Payment Bonds shall be received by the City prior to commencement of construction.

Offeror (Entity Name)	Signature
Street & Mailing Address	Print Name of Signator
City, State and Zip	Title of Signator
Telephone No.	Mobile No.
E-mail Address	Date Signed

If not the same as above, indicate the city and state that your principal place of business is located:

Acknowledgment of Addenda (if any):

Addendum 1 _____ Date Received_____
Addendum 2 _____ Date Received_____
Addendum 3 _____ Date Received_____

SECTION IV – SCOPE OF WORK

I. PURPOSE

The City of Sedona (the "City") is soliciting sealed proposals from qualified affordable housing developers with sufficient experience and capacity to build, finance, and manage Low-income Housing Tax Credit (LIHTC) affordable housing to construct new affordable multifamily housing within the City in accordance with the included specifications, terms, and conditions in this Request for Proposals (RFP). This RFP is being released to identify experienced and eligible affordable housing developers wishing to develop, construct, and operate affordable multifamily rental housing on a parcel that is controlled by the City (the "Project"). The Project will consist of 35-50 affordable housing units, rented to tenants whose gross household incomes range from 40 percent to 60 percent or less of the Area Median Income (AMI) for Yavapai County, Arizona.

Housing affordability and accessibility are critical issues in Sedona and the Verde Valley. The 2020 Sedona Housing Needs Assessment and Action Plan found that the affordable housing demand would reach more than 1500 units by 2025 and that the lack of traditional apartment units creates a significant impediment to affordable housing in Sedona. Harvard University's Joint Center for Housing Studies report, *America's Rental Housing 2024,* reports cost-burden increases across the range of income levels and a dwindling supply of rental units which have contributed to rent increases outpacing income gains. Median rents have risen consistently since 2001 creating a 21% increase as of 2022, while renters' incomes have risen just 2% during the same period. Housing options that are affordable to the workforce are limited.

The Regional Economic Development Center at Yavapai College's September 2022 report, *Sedona Economic Overview*, reports that as of 2021, the average earnings per job are $46,400 which is 40% below the national average; 55% of Sedona workers live outside of city limits; and the main source of employment is hospitality and retail, which are among the lowest compensated jobs. Further, the advent of the short-term rental industry has removed 17% of Sedona's housing inventory from the long-term rental market. Rental rates often exceed $3,000 per month and many new employees are simply unable to accept employment due to the cost of housing. Additionally, the inventory of apartment units in the region is very low. Across Arizona, apartments account for about 16% of all housing units, but in the Verde Valley they only account for 6.2%, and in Sedona only 4.7%. These factors have contributed to a deficiency in affordable housing in Sedona.

This solicitation seeks an experienced firm to enter a public-private partnership that includes a land lease with the City of Sedona aimed at developing quality affordable rental housing.

II. PROJECT OVERVIEW

The project will be sited on a parcel located at 2411 W SR-89A, Sedona that is approximately 1.8 acres in size (APN #408-24-023A) (the "Property"), and the City will enter into a long-term lease arrangement with the selected Developer. A Phase I Environmental Site Assessment and ALTA (for title purposes only) have been included with this RFP.

The City desires to contract with a qualified firm to build and manage 35-50 affordable housing units at the Property. The selected Developer is expected to submit a 9% LIHTC application to the State of Arizona Department of Housing on or before the April 1, 2025 deadline. The selected Developer is required to provide property management and tenant leasing services to the completed development that complies with LIHTC and City requirements during the term of the lease with the City. Applicants are encouraged to propose Project budgets that utilize a variety of funding sources but should consider the impact each source of funding may have on their ability to provide housing that is affordable to a range of incomes that meet LIHTC requirements. The City will consider gap funding requests, any such request must be accompanied by a thorough explanation of the need for City subsidy and terms thereof. It is anticipated that the selected Developer will recoup development costs through collection of rental revenue realized from the completed Project. Therefore, Applicants will be evaluated in large part on their ability to provide a feasible budget for the Project that minimizes expected financial contribution to the Project by the City.

The selected Developer will enter into an agreement with the City to lease the Property. During the Lease term, the selected Developer shall be required to construct and manage a multifamily apartment complex rented primarily to households whose incomes fall into the ranges of 40% AMI to 60% AMI. Completed housing units will be rented to eligible tenants at monthly rates that are equal to or less than the maximum rate permitted by the U. S. Department of Housing and Urban Development (HUD) income and rent limits set annually. Income and rental limits are published annually by the U.S. Department of Housing and Urban Development.

The Property is zoned CO, Commercial, which allows for multi-family housing per the Sedona Land Code. The selected Developer will be fully responsible for securing all required building and utility permits, letters of coordination, and other required pre-construction activities.

III. PROJECT DESCRIPTION

A. General –

Property Specifications. The Property is currently a vacant, unimproved lot. Any site preparation required for completion of the Project will be the sole responsibility of the selected Developer.

1. **Lease.** Upon award of this RFP, the City will enter into a Lease Option Agreement with the selected Developer and will negotiate with a ground lease for the Property based on the the Lease Documents included in Section V of this RFP for purposes of constructing and managing the Project. The Lease shall provide Developer exclusive possession and control of the Property and allow Developer to collect rental revenues from the completed Project, subject to Developer's continued compliance with the terms of the lease agreement. The City will consider negotiating a lease term longer than thirty years. However, the City requires that any lease exceeding 30 years for the Project includes the following provisions: 1) "The Lessee shall grant to City (or its designee) a right of first refusal to acquire the Project at the end of the 15-year tax credit compliance period for the "minimum purchase price" as defined in Section 42 of the Code" and 2). "At the end of the thirtieth (30th) lease year, Lessee shall grant to City an option to purchase the Project at a price of One Hundred Dollars ($ 100.00), and 3) "The exercise of the City's option to purchase shall cause this Lease to terminate."

2. **Development.** The selected Developer will construct a total of 35-50 affordable housing units. The selected Developer is expected to complete installation or improvement of any utilities or infrastructure required, including but not limited to the provision of adequate sewer, potable water, electric, cable and internet service to all completed housing units.

3. **Reversion of Title.** During the full term of the Lease, the selected Developer shall retain title to improvements they complete at the Property and the right to collect rental revenue from all completed housing units. Upon expiration of the Lease and any renewals thereof, title to said improvements shall revert to the City.

4. **Tenant Eligibility.** Completed dwelling units will be rented only to tenants who meet the income qualification criteria set by HUD Housing Income and Rent Limits. All units shall be rented to eligible tenants whose gross household income is between 40% to 60% of AMI for Yavapai County. The selected Developer is expected to implement procedures to verify tenant eligibility. Available units shall be leased to eligible tenants for not less than twelve (12) months. Income verification and recertification shall be completed annually for each tenant/unit.

B. Project Goals

1. Engage with a firm experienced in the financing and development of LIHTC affordable housing, and with the demonstrated experience and capacity to build, finance, and manage the completed Project.

2. Mitigate direct financial cost of the Project to the City. To the extent direct financial cost to the City of Sedona is unavoidable, mitigate such costs through creative financing, public assistance, third-party investment or other.
3. Provide preference in leasing of completed housing units to households who meet the income limits of affordability in the lower AMI ranges (40% - 60% AMI).
4. Retain City of Sedona ownership of the Property and any improvements made thereto by the selected Developer upon expiration of the Lease.

C. Developer Responsibilities

The selected Developer's scope of work will include but not necessarily be limited to:

1. Financing –the selected Developer will prepare a budget for the Project that will include the full cost of the Project, including all build costs, amended design costs (if required), and any additional funding required to ensure ongoing financial viability of the completed development. The City will consider proposals utilizing a variety of financing methods for the Project, including but not limited to conventional mortgage financing, direct investment by third-parties; public-private partnerships; grant funding; or any City, County, State or Federal funds. The selected Developer will prepare a proforma with financial projections reflecting the duration of the Lease.

   Applicants must specify in their proposals any expected financial contribution by the City of Sedona toward Project costs. Loan requests to the City will be considered. Proposals that require direct financial contribution by the City will be considered, but preference will be given to proposals with a lower direct contribution. Preference in award will be given to Applicants who demonstrate an ability to independently fund full Project costs with minimal financial contribution by the City.

2. Pre-Construction – the selected Developer will engage with the City on pre-construction Project planning including preparation of a schedule for completion of the Project; review of site, architectural, structural, mechanical, plumbing, and electrical design plans in consultation with the City; and obtaining all required permits from the City of Sedona and other agencies as applicable (including payment of applicable fees).

3. Development – the selected Developer will provide all construction administration services required to ensure completed development of 35-50 affordable housing units, as well as utilities, infrastructure and other appurtenances necessary for completion of the Project. The selected

Developer shall prepare and submit plans for a sprinkler system in compliance with Sedona Fire District regulations. At a minimum, all completed housing units must be serviced with sewer, potable water, power, internet and cable, and with any other utility or infrastructure required by the City of Sedona Land Development Code (including but not limited to parking requirements).

All construction shall be completed in accordance with the currently adopted and amended building codes, electrical code, the Land Development Code and all other applicable city, state and federal codes, ordinances and regulations. The selected Developer will be expected to provide and manage all construction activities necessary to complete the Project in a manner resulting in a finished, fully usable multifamily apartment complex in compliance with the City of Sedona approved design plans.

The selected Developer will be the sole responsible source for total project compliance and construction related performance, and will hold all contracts and subcontracts with design professionals, building professionals, testing/inspection services, trade contractors and suppliers.

4. Marketing Plan—the selected Developer will provide a marketing plan to rent available housing units to eligible tenants meeting the income criteria set by the U. S. HUD Income and Rent Limits. .

5. Management – the selected Developer will provide, directly or by contracting with a third-party, property management services to the completed Project for the full duration of the Lease term. Such services will include, at a minimum, leasing operations, property upkeep, building maintenance, provision of resident services, and schedule of remodeling so that the majority of units are still rentable at the end of the Lease term.

6. Income Qualifying, Monitoring, and Compliance—the selected Developer shall undergo an annual audit of tenant files to ensure compliance with all income qualifying requirements and shall submit an annual compliance report to the City of Sedona.

SECTION V – SAMPLE LEASE DOCUMENTS

LEASE OPTION AGREEMENT

This lease option agreement (the "Option Agreement") is entered into this ___ day of _____, 2025, by and between the City of Sedona, an Arizona municipal corporation ("Optionor" or "City") and _____ ("Optionee" or "Developer").

RECITALS

WHEREAS, Optionor is the owner of vacant land located at _____, Sedona, AZ 86336, also known as Yavapai County APN _____, containing approximately ____ acres and being more particularly described in the Legal Description attached as **Attachment A** to this Option Agreement (the "Option Property"); and

WHEREAS, Optionor issued Request for Proposal No. 25-12RFP soliciting sealed proposals from qualified developers with sufficient experience and capacity to build, finance, and manage Low-income Housing Tax Credit (LIHTC) affordable housing units on the City-owned land; and

WHEREAS, Optionee was selected by the City as the Devloper for Proposal No. 25-12RFP; and

WHEREAS, Optionor desires to lease to Optionee and Optionee desires to lease from Optionor the Option Property solely for the purpose of constructing and operating a multi-family, income-based rental housing project; and

WHEREAS, Optionor has agreed to grant Optionee the option to lease the Option Property on the terms and conditions hereinafter set forth.

Now, therefore, in consideration of the foregoing and the mutual promises and agreements contained herein, and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged by both parties, the parties agree as follows:

AGREEMENT

1. Grant of Option. In consideration of the payment of One Hundred Dollars ($100), Optionor hereby grants Optionee the exclusive option to lease the Option Property on the terms and conditions hereinafter described and upon execution of a mutually acceptable lease agreement. If Optionor satisfies the conditions imposed upon Optionor by this Option Agreement and Optionee does not exercise this option, the payment made pursuant to this paragraph shall be retained by Optionor, free and clear of all claims by Optionee.

2. Method of Exercise of Option. Optionee may exercise its option to lease the Option Property, at any time after the date hereof and prior to the expiration of the Term (as hereinafter defined), by written notice to Optionor. The date that notice is given shall be referred to in this Option Agreement as the "Option Exercise Date."

3. Rent and Terms of Lease. The rent and terms of the lease shall be substantially as set forth in **Attachment B** attached hereto and incorporated herein by this reference. If Optionee exercises its option to lease the Option Property, the lease provides that Optionee will pay Optionor annual base rent for the Option Property commencing on the expiration of the Construction Term of TWELVE THOUSAND DOLLARS ($12,000.00) per year and this amount shall increase by an escalation factor of FIVE THOUSAND DOLLARS ($5,000.00) every five (5) years, with the first increase effective five years after the expiration of the Construction Term.

4. Term of Option. Except to the extent previously exercised or unless extended in writing by mutual agreement of the parties, the option granted hereunder shall expire upon the earlier of the execution of a mutually acceptable lease agreement for the Option Property or on July 2, 2025.

5. Notices. All notices required or permitted to be given hereunder shall be in writing and shall become effective upon personal service or seventy-two (72) hours after being deposited in the United States mail, certified or registered mail, postage prepaid and addressed as shown below or to such other address as the parties may, from time to time, designate in writing.

Optionor: City of Sedona
City Manager
102 Roadrunner Drive
Sedona, AZ 86336

Optionee: _____
_____
_____
_____

6. Time. Time is of the essence for all periods specified in this Option Agreement.

7. Attorneys' Fees. In the event of any litigation or other proceeding concerning this Option Agreement, the prevailing party shall be entitled to recover its costs, reasonable attorneys' fees, and other reasonable expenses.

8. Successors. This Option Agreement will run with the land and be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns. No assignment hereunder will be valid without the prior written consent of the other party hereto, which consent will not be unreasonably withheld or delayed.

9. Additional Documents. Optionor and Optionee shall each execute and deliver any and all additional documents that may be reasonably requested by the other party in order to document and perform properly under this Option Agreement.

10. Interpretation. This Option Agreement and the rights, duties and obligations of the parties hereto will be governed by and construed in accordance with the laws of the State of Arizona. This Option Agreement has been reached by negotiation between the parties and will therefore not be construed against the drafter of this Option Agreement.

11. Brokers. The parties each warrant and represent that they have not taken and will not take any action which would cause a broker's or finder's fee to be payable on any of the transactions described herein. Each party shall indemnify and hold the other harmless for, from and against any breach of this paragraph.

12. Property Ownership. Optionor represents that it did not acquire ownership of the Option Property from Optionee or any affiliate of Optionee.

13. Counterparts. This Option Agreement may be executed in one or more counterparts, each of which will constitute an original and all of which will constitute one and the same instrument.

14. Memorandum of Option. Simultaneously with the execution of this Option Agreement, the parties will execute a Memorandum of Option in the form attached hereto as **Attachment C**. Neither party shall record this Option Agreement, and any recordation will be limited to the memorandum described above.

In witness whereof, the parties have executed this Option Agreement as of the date first above written.

OPTIONOR:

City of Sedona

_____

By: Scott Jablow
Its: Mayor

OPTIONEE:

_____

By: _____
Its: _____

Attachment A to Land Option Agreement

Legal Description of Option Property
(to be attached)

Attachment B to Land Option Agreement

Form of Lease Agreement (SAMPLE)
(attached)

SAMPLE LAND LEASE AND LOAN AGREEMENT

25-12RFP

CITY OF SEDONA, ARIZONA

LAND LEASE AND LOAN AGREEMENT

(PLEASE DO NOT REMOVE-THIS IS PART OF THE OFFICIAL DOCUMENT)

LAND LEASE AND LOAN AGREEMENT

This Land Lease and Loan Agreement (this "Lease") is executed to be effective the ___ day of _____, 20___ ("Effective Date"), between the City of Sedona, an Arizona municipal corporation (the "City"), and _____ (the "Lessee"). City and Lessee are sometimes referred to herein collectively as the "Parties," or individually as a "Party."

RECITALS

WHEREAS, the City is the owner of vacant land located at _____, Sedona, AZ 86336, also known as Yavapai County APN _____, containing approximately ____ acres and being more particularly described in the Legal Description attached as **Exhibit A** of this Lease (the "Property"); and

WHEREAS, the City issued Request for Proposal No. 25-12RFP soliciting sealed proposals from qualified developers with sufficient experience and capacity to build, finance, and manage 35-50 Low-income Housing Tax Credit (LIHTC) affordable housing units (the "Project"), contingent upon the Successful Proposer: 1) applying for a 9% LIHTC award through the Arizona Department of Housing by the April 1, 2025 application deadline, and 2) being selected by the Arizona Department of Housing to receive a 9% LIHTC award; and

WHEREAS, Lessee was selected by the City as the Successful Proposer to Request for Proposal No. 25-12RFP; and desires to enter into this Lease with the City; and

WHEREAS, the Sedona City Council has approved of Lessee entering into this Lease with the City and requires that the Lease be executed within thirty (30) days of City Council approval; and

WHEREAS, the City desires to lease the Property to Lessee for a 30-year term for the construction of the Project and for its operation as an income-based rental housing project for the purpose of housing tenants with incomes of 40% - 60% of U.S. Department of HUD Yavapai County area median income ("AMI").

WHEREAS, at the end of the 30-year Lease term, the ownership of the Project and any improvements constructed on the Property reverts to City ownership; and

WHEREAS, the City has funds available in a certain amount to loan to Lessee for a term of 30 years; and

WHEREAS, Lessee desires to lease the Property solely for the purpose of constructing and operating a multi-family, income-based rental housing project; and

WHEREAS, Lessee desires to enter into a loan agreement with the City in accordance with the Loan Documents attached as **Exhibit D** to this Lease; and

WHEREAS, the Property is located in the City's Housing Development Area as declared in Resolution 2012-21 and this Lease is entered into under the authority of A.R.S. §9-441 et. seq., which declares municipal assistance in providing for the acquisition, construction or rehabilitation of housing a valid public purpose and authorizes municipalities to use its monies to aid the planning, undertaking and carrying out of housing development projects and authorizes the City the powers listed in A.R.S. §9-441.02; and

WHEREAS, the Parties acknowledge that the Project qualifies as an economic development activity; that the Project will assist in the creation and retention of jobs and will otherwise improve and enhance the economic welfare of the residents of the City by increasing access to affordable housing, stimulating further economic development in the City, , and by constructing public infrastructure improvements; that the City's participation in this Lease will serve legitimate economic development purposes as authorized by A.R.S. §9-500.11; and that the City's participation authorized by this Lease is not grossly disproportionate to the benefits the City will receive during the Lease and that in the absence of the City's participation the affordable housing Project would not be constructed; and

WHEREAS, 100% of the Project units will be restricted for affordable housing for tenants for thirty (30) years. This Lease is consistent with the City's Development Incentives and Guidelines for Affordable Housing ("DIGAH"), and the City's Community Plan in effect on the date of this Lease.

WHEREAS, Lessee desires to use the Property for the Project in accordance with the Sedona Land Development Code and subject to the terms and conditions of this Lease; and

WHEREAS, the City is willing to lease the Property to Lessee on the terms and conditions specified below.

AGREEMENT

THEREFORE, in consideration of the following mutual covenants and conditions, the parties hereby agree as follows:

1. The Recitals set forth at the beginning of this Lease are deemed incorporated herein, and the Parties hereto represent they are true and correct.

LEASE; PRIVILEGES; RESTRICTIONS; RESERVATIONS.

A. The City hereby leases the Property to Lessee and grants to Lessee the following privileges, uses and rights, subject to and conditioned upon Lessee's full, timely, complete, and faithful performance of all terms and conditions:

1. (a) Lessee will be deemed the sole owner of the Project, (b) Lessee alone will be entitled to all of the tax attributes of ownership of the Project for the term of the lease and (c) Lessee will have the right to amortize capital costs and to

claim any other federal or state benefits attributable to the Project improvements.

2. So long as Lessee is not in default of its obligations hereunder, City shall not transfer, encumber or otherwise dispose of the Property or any interest therein without the consent of Lessee.

3. In addition to said general privileges, uses and rights, the City grants to Lessee the right to construct and operate the Project on the Property, provided Lessee complies with all applicable federal, state, and local laws, building and fire codes.

B. Lessee hereby accepts the Property and the terms and conditions of the Lease. Lessee shall not use the Property for any purposes other than those specified in this Lease.

2. TERM.

A. The construction term of this Lease shall commence on the Effective Date and continue for a term of two (2) years or until the Certificate of Occupancy is issued, whichever comes first (the "Construction Term"). Actual construction on the Project shall begin no later than one (1) year after the Effective Date. In no event shall the Construction Term last longer than two (2) years. If Lessee fails to begin construction within one (1) year from the Effective Date, City may terminate this Lease. If Lessee fails to complete construction and obtain a Certificate of Occupancy within two (2) years from the Effective Date, City may terminate this Lease.

B. Upon termination of this Lease by either Party for any reason specified in this Lease, City shall have no obligation to reimburse Lessee for any of its costs or expenses incurred as a result of this Lease, including costs and expenses for the Project and any other improvements.

C. The original term of this Lease shall be for a period of thirty (30) years commencing on the expiration of the Construction Term and expiring on the same date thirty (30) years later, unless sooner terminated pursuant to the provisions contained in this Lease.

3. RENT.

A. Commencing on the expiration of the Construction Term, rent shall be TWELVE THOUSAND DOLLARS ($12,000.00) per year and this amount shall increase by an escalation factor of FIVE THOUSAND DOLLARS ($5,000.00) every five (5) years, with the first increase effective five years after the expiration of the Construction Term.

B. Within thirty (30) days of the expiration of the Construction Term, Lessee shall pay, without notice and free from all claims, deductions or set-offs against the City, the first annual rent payment in the amount of TWELVE THOUSAND DOLLARS ($12,000.00).

C. Each year, within thirty (30) days of the anniversary date of the expiration of the Construction Term of this Lease, Lessee shall pay, without notice and free from all claims, deductions or set-offs against the City, the annual rent payment in the amount specified in Paragraph A of this Section, including any applicable escalation amount.

D. If Lessee fails to pay any rent in full on or before the annual due date, Lessee shall be responsible for interest on the unpaid principal balance at the rate of 18% per annum from the due date until payment in full is made.

4. UTILITIES.

Lessee will pay for all charges, fees, deposits and other amounts for utility connections and for utilities used at the Property. Any changes to utility facilities shall be strictly limited to the Property and shall be undertaken by Lessee at its sole cost and expense.

5. IMPROVEMENTS.

A. Lessee shall have the right to construct a 35-50 unit apartment complex and related improvements (collectively, sometimes referred to herein as the "Improvements" or the "Project") on the Property.

B. Before commencing construction of the Project or any other improvements or modifications on the Property, Lessee shall submit detailed construction plans and specifications to the City. Upon completion of any improvements or modifications, Lessee shall furnish to the City two (2) complete sets of detailed plans and specifications of the work as completed. Prior to the start of any construction of improvements or modifications to the Property, Lessee shall secure all applicable building permits and approvals from the City. In addition, Lessee shall furnish any additional information concerning any proposed improvements or modifications, which the City may deem necessary with regard to the safety of the Property and Project. Use of the Property is hereby restricted to affordable housing and related uses and the Property may not be used for any other purpose without the prior written consent of the City, which may be given or withheld at City's sole discretion.

C. Design Requirements. All of Lessee's improvements, which includes the Project, shall comply with the following design requirements:

1. All Lessee's improvements shall be contained entirely within the Property and without any encroachment or dependence upon any other property, except that Lessee's improvements shall include construction of related curbs, gutters, pavement, landscaping, and other improvements City determines to be appropriate in the public right-of-way.

2. All Lessee's improvements shall be designed so as to present uniformity of design, function, appearance and quality throughout and consistency with other buildings and improvements located in the vicinity of the Property.

3. All Lessee's improvements shall comply with all requirements of law, including the Sedona Land Development Code. Lessee shall be responsible to directly obtain all necessary permits and approvals from any and all necessary governmental agencies.

D. Lessee shall, at its own cost, finance and construct the Project. All improvements and modifications made by Lessee shall be constructed in a good, workmanlike manner.

E. City's consent shall not be required for minor changes deemed by Lessee during the course of construction to be necessary to complete construction as contemplated by the latest plans approved by the City. Minor changes are those that do not change compliance with the Sedona Land Development Code or materially alter the structure, size, layout, location, quality, appearance, functionality or other aspects of any area, feature, structure, or other aspects of any improvements. Lessee shall give to the City as much advance notice of any minor changes as is reasonably possible, and in any event, no less than ten (10) days prior to making such minor changes.

F. Prior to the start of any construction on the Property, Lessee or its contractor shall name the City as a dual obligee under the payment and performance bonds to be obtained by Lessee's general contractor with respect to construction of the Improvements, using the required Bond Forms provided in **Exhibit C**. Each bond shall be filed with the Yavapai County Recorder prior to commencement by Lessee of the Improvements on the Property.

G. Lessee shall keep the Property and all improvements free of any liens of any kind or nature for any work done, labor performed, or material furnished on or to the Property. If any such lien is filed, Lessee shall, at its sole cost, remove such lien from the Property within thirty (30) days from the filing of such lien.

H. In accordance with the requirements of the Construction Term of this Lease, Lessee will begin construction of the Project following the approval of the City and the issuance of a building permit. Lessee will diligently pursue construction of the improvements or modifications.

I. The Project, and all other improvements and modifications made by Lessee which become fixtures to the Property become the property of the City, at no cost to the City, upon the expiration or termination of this Lease, free of any security interest or claims of any kind from Lessee.

J. In the event the Property consists of more or less than any stated acreage or square feet, this Lease shall nevertheless continue and Lessee's obligations hereunder shall not be increased or diminished.

6. ACCEPTANCE; MAINTENANCE; REPAIRS.

A. Lessee warrants that it has inspected the Property and accepts possession of the Property and any current improvements thereon "as is" in its present condition, and subject to all

limitations imposed upon the use thereof by federal, state and local law, and Lessee acknowledges the suitableness and sufficiency of the Property for the uses permitted in this Lease. Except as may otherwise be specifically provided for herein, the City shall not be required to maintain or to make any improvements, repairs or restorations upon or to the Property, the Project, or to any of the improvements located thereon. Under no circumstances shall the City have any obligation to repair, maintain or restore the Project and any improvements placed upon the Property by Lessee.

B. Lessee shall be solely responsible, at its cost, for all repairs and maintenance whatsoever on the Property and shall maintain the Project and all improvements thereon in a good workmanlike manner, whether such repair or maintenance be ordinary or extraordinary, structural or otherwise, including following the lifetime maintenance schedule. Additionally, Lessee, without limiting the generality hereof, shall:

1. Keep at all times, in a clean and orderly condition and appearance, the Property, the Project, all improvements thereon and all of Lessee's fixtures, equipment and personal property which are located on any part of the Property; and

2. Be responsible for the maintenance and repair of all utility services lines and fire suppression systems placed on the Property and used by Lessee exclusively; and

3. Repair any damage caused by Lessee, or its agents, employees or invitees, to the Property or Project; and

4. Maintain the Property and Project in accordance with all applicable local building, plumbing and electrical codes, construction standards, environmental regulations, neighborhood preservation ordinances, zoning ordinances, and other ordinances.

C. If Lessee fails to maintain, clean, repair, replace, rebuild or repaint the Project within a period of thirty (30) days after written notice from the City to do any work required to be done by Lessee, the City may terminate this Lease or, at its option, enter the Property, without such entering causing or constituting a termination of this Lease or any interference with the possession of the Property, and repair, replace, rebuild or paint any part of the Property or the improvements thereon, and do all things reasonably necessary to accomplish the work required, and all costs thereof shall be payable to the City by Lessee on demand; provided that if in the opinion of the City, Lessee's failure to perform any such maintenance endangers the safety of the public, the employees, the tenants or property of the City, and the City so states in its notice to Lessee, the City may, in its sole discretion, elect to perform such maintenance at any time after the giving of such notice, and Lessee shall pay to the City all costs of such work on demand. If the City, its officers, employees or agents undertake any work hereunder, Lessee hereby waives any claim for damages, consequential or otherwise, resulting therefrom. The foregoing shall in no way affect or alter the primary obligations of the Lessee as set forth in this Lease and shall not impose upon the City any obligations to be stated otherwise.

7. ADDITIONAL OBLIGATIONS OF LESSEE.

A. Except as expressly set forth herein, City will not make any expenditure in connection with the Property or the Project, and all costs, expenses and obligations of every kind relating to the Property and the Project, which may arise or come due during the Lease term will be paid by Lessee.

B. Lessee agrees to pay during the Lease term, all real estate taxes and special assessments assessed with respect to the Property, Project, and improvements and all personal property taxes assessed with respect to Lessee's personal property.

C. Lessee shall comply with all written instructions of the City in disposing of its trash and refuse and shall use a system of recycling and refuse disposal approved by the City.

D. Lessee shall not commit nor permit to be done anything which may result in the commission of a nuisance, waste or injury on the Property.

E. Lessee shall not do, nor permit to be done, anything which may interfere with the effectiveness or accessibility of the drainage system, sewerage system, fire protection system, sprinkler system, alarm system and fire hydrants and hoses, if any, installed or located on the Property.

F. Lessee shall not do, nor permit to be done, any act or thing upon the Property which may constitute a hazardous condition so as to increase the risks attendant upon the operations permitted by this Lease.

G. Lessee shall not use or allow the Property or Project to be used for short-term rentals (rental terms of less than thirty (30) days) or conversion to a condominium or otherwise divide the Property during the term of this Lease.

H. Tenant Selection. Prior to leasing any unit at the Property, Lessee will adopt written tenant selection policies and criteria ("Tenant Selection Policies") consistent with applicable federal laws and regulations, and approved in writing by the City, that are consistent with the purpose of providing affordable housing for low income families and provide for (1) the selection of tenants from written waiting lists in the chronological order of their application, insofar as is practicable, and (2) the prompt written notification to any rejected applicant of the grounds of any rejection. Lessee shall adhere to U.S. Department of HUD's policies and procedures on tenant income verification as outlined in 24 C.F.R. Part 5, as amended.

I. Annual Audit Report and Review of Rents. Each year during the term of this Lease, Lessee shall provide a copy of an annual audit to the City for the previous twelve (12) months of operation of the Project. Additionally, the Lessee shall provide an annual occupancy report to the City providing income amounts of tenant occupied units, unit rent, employer, unit type and AMI bracket of each tenant. The books and records of the Lessee shall be made available to the City within fourteen (14) days after written request to

the Lessee. Lessee will re-examine family income, composition, and rents for the units annually and new rents proposed by Lessee for units must be approved in writing by the City before taking effect.

J. Lessee Representations. Lessee represents and warrants that:

1. Lessee has the full right, power and authority to enter into and perform this Lease and each of the obligations and undertakings of Lessee under this Lease, and the execution, delivery and performance of this Lease by Lessee has been duly authorized and agreed to be in compliance with the Lessee's organizational documents.

2. As of the date of this Lease, Lessee knows of no litigation, proceeding or investigation pending or threatened against Lessee that may affect Lessee's ability to perform under this Lease, or any litigation, proceeding or investigation pending or threatened contesting the validity or enforceability of this Lease.

3. The execution, delivery and performance of this Lease by Lessee is not prohibited by, and does not conflict with, Lessee's organizational documents or any other agreements, instruments, judgments or decrees to which Lessee is a party or to which Lessee is otherwise subject.

4. Lessee has not paid or given, and will not pay or give, any third person any money or other consideration for obtaining this Lease, other than normal costs of conducting business and costs of professional services such as architects, consultants, engineers and attorneys and any licensed appraiser retained by the Lessee. Lessee has been assisted by counsel of its own choosing in connection with the preparation and execution of this Lease.

8. CITY LOAN.

A. City of Sedona Loan. Subject to the terms and conditions of this Lease and as set forth in the loan documents, the City shall provide the Lessee with a loan in an amount not to exceed _____ ($_____) ("City Loan") which Lessee shall use toward the development and construction of the Project and the Budget attached hereto as **Exhibit G**, "Budget", provided, further, that Lessee must complete each milestone of the Project by no later than required in the schedule of performance (see **Exhibit F**, "Schedule of Performance"). The City Loan shall be evidenced by the City of Sedona Affordable Housing Loan Secured Promissory Note ("Promissory Note") and secured by the City of Sedona Affordable Housing Loan Deed of Trust and Assignment of Rents ("Deed of Trust") both executed by the Lessee of even date herewith, substantially in the forms attached hereto as **Exhibit D**, "Loan Documents" and incorporated herein by this reference. Prior to disbursement of any amount of the City Loan, Property Owner will execute the Deed of Trust and Promissory Note.

B. City Loan Repayment Terms. Lessee hereby unconditionally acknowledges and promises to repay the City Loan as follows: Lessee shall pay to City three hundred sixty

(360) consecutive monthly payments, payable on the 1st day of each month, equal principal installments and interest payments ("Loan Payments"), commencing on the expiration of the Construction Term and upon the beginning of original term of this Lease. The City Loan will bear interest at **4.44 %** (the January 2025 long-term Applicable Federal Rate compounded monthly ("AFR")).

C. City Loan Maturity Date. The entire unpaid principal balance and all accrued interest is due and payable three hundred sixty (360) months after expiration of the Construction Term, unless sooner terminated pursuant to the provisions contained in this Lease, whichever occurs first ("Maturity Date"), at which time Lessee shall pay City the entire outstanding principal amount and interest payments of the City Loan.

D. Disbursement of City Loan. Provided Lessee is otherwise in full compliance with the terms and conditions of this Lease, Lessee will be entitled to request disbursements from the City Loan at specified construction milestones based on the following disbursement schedule:

Construction Milestone	**Disbursement Amount**
60% total construction completion	1/2 Loan Balance minus 10% retention
90% total construction completion	1/2 Loan Balance minus 10% retention
100% total construction completion	Closeout Disbursement of 10% retention

Construction completion will be determined by comparing the work completed to the total work needed to complete the Project. Disbursement will be for the cost items (each a "Cost Item") reflected in the Budget; and the City will be obligated to disburse the Loan amounts in a timely manner upon delivery to the City in form and substance acceptable to the City, in accordance with the following terms and conditions:

1. Satisfactory supporting invoices, payment receipts, lien waivers, building permits, and such certifications by Lessee evidencing the reasonableness and appropriateness of the costs of the Project as may be requested by the City (collectively, the "Supporting Documents").

2. Satisfactory evidence that the applicable lien periods have expired or, in lieu thereof, Lessee has received lien waivers or releases from all contractors, subcontractors, laborers and materialmen, and any materialmen's or mechanic's liens that may have been recorded have either been paid in full or Lessee has posted an appropriate surety bond to discharge the same.

3. The City may inspect the work completed that is the subject of a Request for Disbursement, or cause an inspection of the work completed to be conducted by a qualified architect or engineer of the City's selection, to verify the statements contained in the Request for Disbursement and Supporting

Documents. After receipt of the required documents and completion of any inspection by or caused by the City, the City will compute the difference between the percentage of completion for each Cost Item approved by the City at the time of the current Request for Disbursement and the percentage of completion for each Cost Item approved by the City at the time of the immediately preceding approved Request for Disbursement, and will disburse an amount equal to 90% of the product of the percentage difference for each Cost Item and the total projected cost for each such Cost Item.

4. The remaining 10% of the City Loan will be disbursed upon delivery by Lessee of each of the following to the City:
   i. written request with Supporting Documents,
   ii. written certificate and warranty, in form and substance satisfactory to City, signed by Lessee, certifying the Project has been "substantially completed" in accordance with the plans. For purposes of this Lease, "substantially completed" means the development required by the Scope of Development and the plans is so substantially complete that it satisfies the City's minimum property standards as defined in the Land Development Code, all applicable building, plumbing and electrical codes, construction standards, environmental regulations and zoning ordinances, and all other requirements of the City and any other governmental authorities have been satisfied, including all inspections required by those authorities, and is ready to be occupied by tenants in accordance with this Lease, all as determined by the City.

5. If at any time it appears to the City the undisbursed portion of the City Loan and other sources of funds for construction are insufficient to pay for the completion of the Project, the City will not be required to make further disbursements unless and until within five (5) business days of delivery of notice from the City to Lessee of such deficit Lessee deposits with the City, in cash or instruments satisfactory to the City, the amount the City deems necessary to cure the deficit.

9. CONSTRUCTION CONTRACT REQUIREMENTS & PLANS.

A. Construction Contract. All construction contracts entered into by Lessee for the Project (each a "Construction Contract") will comply with applicable state law requirements, and will require the Project be commenced, executed and completed within the time limits set forth in the Schedule of Performance. Lessee will provide the City with copies of each Construction Contract, any amendments or substitutes approved by the City, and any and all other contracts executed pursuant to this Lease.

B. Construction Quality. Lessee will cause all work on the Project to be performed and installed with labor and materials of at least the quality normally used by builders of good reputation in similar projects in the Yavapai and Coconino County Arizona areas, and in a good and workmanlike manner, in substantial accordance with the construction plans (except for deviations approved in writing by all appropriate governmental authorities and by the City).

C. Contractors. Each Construction Contract will require the general contractor ("General Contractor") or the Lessee to obtain adequate builder's all-risk, fire, and general liability insurance coverage, from an insurance company and in amounts satisfactory to Lessee and the City, to ensure the completion of the Project and to prevent the Parties from incurring any liability for claims arising from the construction or development of the Project pursuant to this Lease. Said insurance will be in addition to and will not take the place of the insurance coverage requirements in **Exhibit B** and the indemnification provisions in Section 15 of this Lease. Lessee will obtain and furnish the City with verification that insurance has been obtained by the General Contractor prior to the commencement of construction of the Project. Each such Construction Contract shall require the General Contractor to furnish a bond or bonds covering the Contractor's faithful performance and completion and the payment of all obligations arising thereunder using the required Bond Forms provided in **Exhibit C** and with such insurance company or other surety as City may approve, which approval will not be unreasonably withheld.

D. Plans. Lessee will provide the City with detailed plans and specifications for the Project and any amendments thereto; a survey acceptable to the City which will include a site plan and a legal description, location of adjoining streets (or the distance to the nearest intersecting streets), and location and elevation of the 100-year floodplain (when applicable).

E. Ownership of Construction Documents. During the Construction Term, upon an event of default, or any expiration or termination of this Lease, Lessee shall promptly assign to and provide the City with all Updated Plans, Project architectural drawings with good license to use such drawings, Project building plans, site plans, permits, and all other documents reasonably related to the construction of the Project.

F. Procurement Compliance Evidence. Lessee will provide the City, upon request, with evidence satisfactory to the City that it complies with all applicable federal, state including A.R.S. Title 34, and local, procurement laws.

10. ASSIGNMENT AND SUBLETTING.

A. The Parties agree Lessee is uniquely qualified to perform the obligations imposed by this Lease and therefore, Lessee may not assign this Lease without the prior written consent of the City. Lessee shall not assign or sublease any of its interest under this Lease, nor permit any other person to occupy the Property without the prior written consent of the City.

B. To obtain City's consent required in Paragraph B of this Section, Lessee shall provide the City for its evaluation with written notice at least thirty (30) days prior to the proposed assignment of: the potential assignee's biographical and financial information, including but not limited to: two (2) year profit and loss statement, assignee's credit history, and a history devoid of any illegal or litigious activities, the proposed effective date of the assignment, a description of the portion of the premises to be assigned, all of the material terms of the proposed assignment and the consideration therefor, and any other information reasonably required by the City in order to evaluate the proposed transfer. Any assignment or transfer made without the City's prior written consent shall, at the City's option, be void.

C. City has the absolute right for any reason or for no reason in its sole discretion to give or withhold consent to any assignment or to impose any conditions upon any assignment, except as expressly provided in this Lease.

D. This Lease shall control any conflict between this Lease and the terms of any assignment.

11. FUNDING SOURCES.

A. Lessee may construct the Project with the proceeds of various funding sources, as described in **Exhibit G**, "Budget".

B. Lessee may only mortgage, encumber or assign any portion of its right, title and interest in the leasehold estate created by this Lease to those parties approved by the City in its sole discretion and for those purposes as set forth in **Exhibit E** ("Permitted Encumbrance"), incorporated herein by this reference. Any such Permitted Encumbrance shall be subject to all of Lessee's obligations under this Lease and subordinate to the City Loan. Except for a Permitted Encumbrance, no person or entity shall have the right to place any mortgages, deeds of trusts, liens or encumbrances of any nature on the Property, nor shall any permitted assignment result in a subordination, in whole or in part, of the City's rights under this Lease. After the initial closing, City has the absolute right for any reason or for no reason in its sole discretion to give or withhold approval of any additional Permitted Encumbrance, mortgage, deeds of trusts, liens, or debt of any nature on the Property.

12. SIGNS.

Lessee may install on the Property, subject to the City's sign ordinance, signs identifying its business. The number, general type, size, and location of signs must be approved in writing by the City prior to installation.

13. DEFAULT; TERMINATION BY CITY.

A. The City may terminate this Lease by giving Lessee thirty (30) days written notice after the happening of any of the following events:

1. The failure of Lessee to perform any of its obligations under this Lease, provided that Lessee fails to cure its default within said 30-day notice period, including failing to construct the Project within the Construction Term or failure to follow the Schedule of Performance.

2. Lessee's failure to make available for rental all units at the Property solely for the purpose of providing affordable housing to tenants with an income of 40% - 60% of U.S. Department of HUD Yavapai County area median income ("AMI").

3. Lessee's failure to make any payment of principal or interest required under the Note when due, and such failure continues for a period of ten (10) days after receipt of written notice of such failure.

4. The breach of any material representation or warranty set forth in this Agreement or any other Loan Document, or the existence of any material misrepresentation of fact by Lessee in any document submitted to the City in support of the Loan or in connection with any of the Loan Documents and remain uncured for thirty (30) days after written notice.

5. Lessee's failure to obtain and maintain the insurance required under this Agreement and the other Loan Documents, and such failure continues for a period of ten (10) days after written notice.

6. The taking of possession for a period of ten (10) days or more of substantially all of the personal property used on the Property belonging to Lessee by or pursuant to lawful authority of any legislative act, resolution, rule, order or decree or any act, resolution, rule, order or decree of any court or governmental board, agency, officer, receiver, trustee or liquidator.

7. Lessee's failure to maintain good and marketable leasehold title to the Property free and clear of all liens, charges, claims, encumbrances, and other matters (other than statutory encumbrances for work being performed on the Property, and for which the Borrower has posted payment and performance bonds), except for the Permitted Encumbrances.

B. The City may place Lessee in default of this Lease by giving Lessee thirty (30) days written notice of Lessee's failure to timely pay the rent or the loan payments provided for in this Lease or any other charges required to be paid by Lessee pursuant to this Lease. During said 30-day notice period, Lessee shall cure said default; otherwise, the City may elect to terminate this Lease or do any of the following:

1. Institute action(s) to enforce this Lease;

2. Take possession of the Property, together with improvements, fixtures, and equipment therein contained without terminating this Lease, and on behalf of Lessee relet the same or any part thereof for a term, shorter, longer, or equal to the then unexpired remainder of the Lease term. The City may at any time after taking possession terminate this Lease by giving notice to Lessee and sue for damages;

3. Terminate this Lease, without further notice to Lessee, re-enter the Property and recover damages, including but not limited to, all costs of repossession and reletting and brokerage commissions for services performed by or for the City;

4. Exercise the "Remedies of Landlord" as set forth in Arizona Revised Statutes, Title 33;

5. Exercise any other remedy allowed by law or equity.

C. If Lessee at any time fails to maintain all insurance coverage required by this Lease, the City shall have the right, upon written notice to Lessee, to immediately terminate this Lease or to secure the required insurance at Lessee's expense.

D. Upon the termination of this Lease for any reason, all rights of Lessee shall terminate, including all rights of Lessee's creditors, trustees, and assigns, and all others similarly situated as to the Property.

E. Lessee acknowledges Lessee's unconditional obligation to comply with this Lease. No failure by City to demand any performance required of Lessee under this Lease, and no acceptance by City of any imperfect or partial performance under this Lease, shall excuse such performance or impair in any way City's ability to insist, prospectively and retroactively, full compliance with this Lease. Failure by the City to take any authorized action upon default by Lessee of any of its obligations hereunder shall not constitute a waiver of said default nor of any subsequent default by Lessee. Acceptance of rent and other fees by the City under the terms hereof for any period after a default by Lessee of any of its obligations shall not be deemed a waiver or estoppel of the City's right to terminate this Lease for any subsequent failure by Lessee to comply with its obligations. Lessee expressly disclaims and shall not have the right to rely on any supposed waiver or other change or modification, whether by word, or conduct or otherwise, not conforming to this paragraph.

F. At any time prior to the initial disbursement of City Loan proceeds, this Lease and any undisbursed portion of the Loan may be terminated for convenience by the City or Lessee, in whole or part.

14. TERMINATION BY LESSEE.

Lessee may terminate this Lease at any time that it is not in default in its obligations by giving the City thirty (30) days' written notice after the happening of any of the following events:

A. Issuance by a court of competent jurisdiction of an injunction in any way preventing or restraining Lessee's use of any substantial portion of the Property and the remaining in force of such injunction for a period of thirty (30) consecutive days.

B. The inability of Lessee to use any substantial portion of the Property for a period of thirty (30) consecutive days, due to the enactment or enforcement of any law or regulation or because of fire, earthquake or similar casualty, or Acts of God or the public enemy.

C. The lawful assumption by the United States Government of the operation, control, or use of the Property or any substantial part of it for military purposes in time of war or national emergency.

15. INDEMNIFICATION.

Lessee shall defend, indemnify and hold harmless the City and its elected or appointed officials, agents, boards, commissions and employees (hereinafter referred to collectively as the "City" in this Section) from all loss, damages or claims of whatever nature, including attorney's fees, expert witness fees and costs of litigation, which arise out of any act or omission of Lessee or its agents, employees and invitees (hereinafter referred to collectively as "Lessee" in this Section) in connection with Lessee's operations at the Property and which result directly or indirectly in the injury to or death of any persons or the damage to or loss of any property, or arising out of the failure of Lessee to comply with any provisions of this Lease. The City shall in all instances, except for loss, damages or claims resulting from the sole negligence of the City, be indemnified by Lessee against all such loss, damages or claims, regardless of whether the loss, damages or claims are caused in part by the negligence, gross negligence or fault of the City. The City shall give Lessee prompt notice of any claim made or suit instituted which may subject Lessee to liability under this Section, and Lessee shall have the right to compromise and defend the same to the extent of its own interest. The City shall have the right, but not the duty, to participate in the defense of any claim or litigation with attorneys of the City's selection without relieving Lessee of any obligations hereunder. Lessee's obligations hereunder shall survive any termination or expiration of this Lease or Lessee's activities at the Property.

16. INSURANCE.

Lessee shall procure and at all times maintain, at its own cost, the types and amounts of insurance required for the full replacement cost of the Project at the limits required in **Exhibit B**. The City shall be named as an additional insured as required in **Exhibit B**. All policies shall provide primary coverage and waivers of subrogation by endorsement or otherwise. Insurance policies shall contain a provision that written notice of cancellation thereof shall be given to the City not less than thirty (30) days before such cancellation takes effect. Lessee shall deliver an appropriate certificate of insurance for each policy to the City in a form and from a company acceptable to the City. The City reserves the right to modify insurance requirements at any time. In case any improvements are fifty percent (50%) or more destroyed, then Lessee and City shall agree as to whether or not the building shall be repaired or reconstructed. Should it be agreed not to repair or reconstruct such building the insurance proceeds shall be divided proportionately as follows:

A. Lessee's share = Time remaining from date of loss to end of Lease term.

B. City's share = Time elapsed from Effective Date of Lease to date of Loss.

17. QUIET ENJOYMENT.

So long as Lessee shall timely pay the rent and loan payments required under this Lease and perform all of its other obligations under this Lease and the Loan Documents, Lessee shall peaceably have and enjoy the exclusive use of the Property.

18. SURRENDER OF POSSESSION; REVERSION.

Upon the expiration or termination of this Lease, Lessee's right to occupy the Property and exercise the privileges and rights herein granted shall cease, and it shall surrender the same and leave the Property in good condition, normal wear and tear excepted. All improvements, including the Project, and modifications made by Lessee to the Property shall become the property of the City, at no cost to the City, upon the expiration or termination of this Lease, free of any security interest or claims of any kind from or through Lessee; provided that if Lessee is not in default of any of its obligations under this Lease and can remove any of its trade fixtures or personal property at its own expense without materially damaging the Property, Lessee may remove such fixtures at the termination or expiration of this Lease. None of the improvements hereafter placed on the Property shall be removed there from at any time without City's written consent.

19. NOTICE.

All notices required or permitted to be given under this Lease may be personally delivered or mailed by certified mail, return receipt requested, postage prepaid, to the following addresses:

TO THE CITY: City of Sedona
City Manager
102 Roadrunner Road
Sedona, Arizona 86336

TO LESSEE: TBD

_____
_____

Any notice given by certified mail shall be deemed to be received on the next business day after the date of mailing. Either Party may designate in writing a different address for notice purposes pursuant to this Section.

20. NO BOYCOTT OF ISRAEL OR USE OF FORCED LABOR OF ETHNIC UYGHURS IN PEOPLES REPUBLIC OF CHINA.

As applicable, Lessee certifies and agrees that it is not currently engaged in and for the duration of the Lease will not engage in a boycott of Israel, as that term is defined in A.R.S. §35-393 and will not use forced labor or goods or services produced by forced labor of ethnic Uyghurs in the People's Republic of China (PRC) or any contractors, subcontractors or suppliers that use forced labor or goods or services produced by forced labor of ethnic Uyghurs in the PRC as provided by A.R.S. §35-394.

21. STATUTORY CANCELLATION RIGHT.

This Lease is subject to cancellation for conflicts of interest under the provisions of A.R.S. §38-511.

22. SEVERABILITY.

Should any provision of this Lease be declared invalid by a court of competent jurisdiction, the remaining terms shall remain effective, provided that elimination of the invalid provision does not materially prejudice either Party with regard to its respective rights and obligations.

23. TAXES AND LICENSES.

A. Lessee shall pay any leasehold tax, possessory interest tax, sales tax, personal property tax, transaction privilege tax or other exaction assessed or assessable as a result of its occupancy of the Property or conduct of business at the Property under authority of this Lease, including any such tax assessable on the City. In the event that laws or judicial decisions result in the imposition of a real property tax on the interest of the City, such tax shall also be paid by Lessee for the period this Lease is in effect.

B. Lessee acknowledges that any failure by Lessee to pay all taxes due, including under A.R.S., Title 42, Chapter 13, as applicable, after notice and an opportunity to cure shall constitute a default that could result in divesting Lessee of any interest in or right to occupancy of the Property.

C. Lessee shall, at its own cost, obtain and maintain in full force and effect during the term of this lease all licenses and permits required for the operation s authorized by this Lease.

24. **VENUE; JURISDICTION; JURY TRIAL WAIVER; ATTORNEY FEES WAIVER**.

This Lease shall be governed by the laws of the State of Arizona, and any legal action concerning the provisions hereof shall be brought in the County of Yavapai, State of Arizona. Both parties hereby waive any right to a jury trial which they may otherwise have in the event of litigation arising out of this Lease and consent to a trial to the court. THE PARTIES HERETO EXPRESSLY COVENANT AND AGREE THAT IN THE EVENT OF LITIGATION ARISING FROM THIS LEASE, NEITHER PARTY SHALL BE ENTITLED TO AN AWARD OF ATTORNEY FEES, EITHER PURSUANT TO CONTRACT, PURSUANT TO A.R.S. §12-341.01 (A) AND (B), OR PURSUANT TO ANY OTHER STATE OR FEDERAL STATUTE, COURT RULE, CASE LAW, OR COMMON LAW.

25. RULES AND REGULATIONS.

Lessee shall at all times comply with all federal, state and local laws, ordinances, rules, rulings, and regulations which are applicable to its operations, the Property (including the Americans with Disabilities Act), or the operation, management, maintenance or administration of the Project, including all laws, ordinances, rules and regulations adopted after the effective date of this Lease. Lessee shall display to the City, upon request, any permits, licenses, or other evidence of compliance with such laws. All rules and regulations, as currently existing or as may be amended or adopted, are hereby incorporated in this Lease. Should a court of competent jurisdiction or any administrative agency with oversight authority determine that any part of this Lease is contrary to established Federal, State and City laws applicable to the respective responsibilities of the Parties as described herein, this Lease, and any part thereto that is in conflict with said laws, shall be modified upon mutual agreement of the Parties in order to bring the Lease into full legal compliance.

26. RIGHT OF ENTRY RESERVED.

A. The City shall have the right at all reasonable times and upon reasonable notice to enter upon the Property for any lawful purpose, provided such action does not unreasonably interfere with Lessee's use, occupancy or security of the Property.

B. If any personal property of Lessee shall obstruct the access of the City or any utility company furnishing utility service to any of the existing utility, mechanical, electrical and other systems, and thus shall interfere with the inspection, maintenance or repair of any such system, Lessee shall move such property, as directed by the City or utility company, in order that access may be had to the system for inspection, maintenance or repair. If Lessee fails to move such property after direction from the City or utility company to do so, the City or the utility company may move it, and Lessee shall pay the cost of such moving upon demand, and Lessee hereby waives any claim for damages as a result therefrom, except for claims for damages arising from the City's sole negligence.

C. Exercise of any or all of the foregoing rights by the City or others pursuant to the City's rights shall not constitute an eviction of Lessee, nor be made the grounds for any abatement of rent or any claim for damages.

27. SURVIVAL OF LESSEE'S OBLIGATIONS.

If this Lease is terminated by the City in accordance with the provisions herein or if the City re-enters or resumes possession of the Property as provided herein, all of Lessee's obligations under this Lease shall survive such termination, re-entry or resumption of possession and shall remain in full force and effect for the full term of this Lease, and the amounts of damages or deficiencies shall become due and payable to the City to the same extent, at the same times, and in the same manner as if no termination, re-entry or resumption of possession had taken place. The City may, at its option and at any time, sue to recover the full deficiency for the entire unexpired term of this Lease. The amount of damages for the period of time subsequent to termination (or re-entry or resumption of possession) shall include all expenses incurred by the City in connection with regaining possession, restoring the Property, acquiring a new lease for the Property, putting the Property in order, maintenance and brokerage fees.

28. REMEDIES TO BE NONEXCLUSIVE.

All remedies provided in this Lease shall be deemed cumulative and additional, not in lieu of or exclusive of, each other, or of any other remedy available to the City or Lessee at law or in equity, and the exercise of any remedy, or the existence herein of other remedies, shall not prevent the exercise of any other remedy.

29. NONLIABILITY OF CITY OFFICIALS AND EMPLOYEES.

No member, official, representative or employee of City shall be personally liable to Lessee, or to any successor in interest to Lessee, in the event of any default or breach by City, or with respect to any obligation of City or otherwise under the terms of this Lease or related to this Lease.

30. TIME IS OF THE ESSENCE.

Time is of the essence with regard to the performance of all of the Parties' obligations under this Lease.

31. MISCELLANEOUS.

A. This Lease constitutes the entire agreement between the Parties concerning the matters contained herein and supersedes all prior negotiations, understandings and agreements between the parties concerning such matters.

B. This Lease shall be interpreted, applied and enforced according to the fair meaning of its terms and shall not be construed strictly in favor of or against either Party, regardless of which Party may have drafted any of its provisions. No provision of this Lease may be waived or modified except by a writing signed by the Party against whom such waiver or modification is sought to be enforced. The terms of this Lease shall be binding upon and inure to the benefit of the Parties' successors and assigns.

C. Request for Proposal No. 25-12RFP is incorporated by this reference as part of this Lease. Any terms and conditions included in Request for Proposal No. 25-12RFP not in conflict with this Lease are binding upon Lessee for the Term of this Lease.

D. Lessee's response to Request for Proposal No. 25-12RFP is incorporated by this reference as part of this Lease. Any provisions in Lessee's response to Request for Proposal No. 25-12RFP not in conflict with this Lease or Request for Proposal No. 25-12RFP are binding upon Lessee for the Term of this Lease.

E. The Exhibits set forth in this Lease are incorporated by this reference as part of this Lease.

F. Nothing contained in this Lease shall create any partnership, joint venture or other agreement between the Parties hereto. Except as expressly provided in this Lease, no term or provision of this Lease is intended or shall be for the benefit of any person or entity not a Party to this Lease, and no such other person or entity shall have any right or cause of action under this Lease.

32. EXHIBITS.

The following exhibits are included in this Lease:

Exhibit A	Property Legal Description
Exhibit B	Insurance Requirements
Exhibit C	Required Bond Forms
Exhibit D	Loan Documents (Promissory Note, Deed of Trust)
Exhibit E	Permitted Encumbrances
Exhibit F	Schedule of Performance
Exhibit G	Budget

EXECUTED to be effective on the date specified above.

CITY:

CITY OF SEDONA, an Arizona municipal corporation

_____
By: Scott M. Jablow, Mayor

ATTEST:

_____
JoAnne Cook
City Clerk

APPROVED AS TO FORM:

_____
Kurt W. Christianson
City Attorney

LESSEE:

_____

_____

_____
By:
Its: Owner/member

STATE OF _____)
)ss.

County of _____)

The foregoing instrument was acknowledged before me this_____day of_____, 20___, by_____, in his or her capacity as _____ of _____, an _____.

_____
Notary Public

My Commission Expires:

_____

EXHIBIT A to LAND LEASE AND LOAN AGREEMENT

the PROPERTY
(see attached legal description)

LEGAL DESCRIPTION OF PROPERTY

EXHIBIT B to LAND LEASE AND LOAN AGREEMENT

Insurance Requirements

1. **INSURANCE** Lessee shall procure and maintain for the duration of the Lease insurance against claims for injuries to persons or damages to property which may arise from or in connection with the performance of the work hereunder and the results of that work by the Lessee, its agents, representatives, employees or contractors.

A. MINIMUM SCOPE AND LIMIT OF INSURANCE

Coverage shall be at least as broad as:

i. **Commercial General Liability (CGL)**: Insurance covering CGL on an "occurrence" basis, including products-completed operations, personal & advertising injury, with limits no less than **$2,000,000** per occurrence, **$5,000,000** aggregate. If a general aggregate limit applies, either the general aggregate limit shall apply separately to this project/location or the general aggregate limit shall be twice the required occurrence limit.

ii. **Premises Liability:** Insurance covering premises liability on the Property, with limit no less than **$2,000,000** per accident for bodily injury and property damage.

iii. **Workers' Compensation:** as required by the State of Arizona, with Statutory Limits, and Employer's Liability Insurance with limits of no less than:
Bodily Injury by accident $1,000,000 each accident
Bodily Injury by disease $1,000,000 policy limit
Bodily Injury by disease $1,000,000 each employee

iv. **Property Insurance**: Lessee shall obtain and keep in force during the Term of this Lease a policy or policies of commercial property insurance written on ISO form CP 00 10 10 12, or a substitute form providing coverage at least as broad, with all risk or special form coverage, covering the loss or damage to the Property and Project to the full insurable value of the improvements located on the Property (including the full value of the Project, all improvements and fixtures owned by Lessee) at least in the amount of the full replacement cost thereof, and in no event less than the total amount required by any lender holding a security interest.

If the Lessee maintains higher limits than the minimums shown above, the City requires and shall be entitled to coverage for the higher limits maintained by the Lessee.

B. **Other Insurance Provisions.** The insurance policies are to contain, or be endorsed to contain, the following provisions:

i. **Additional Insured Status.** The City, its officers, officials, employees, and volunteers are to be covered as additional insured's on the CGL policy with respect to liability arising out of work or operations performed by or on behalf of the Contractor including materials, parts, or equipment furnished in connection with such work or operations.

ii. **Primary Coverage.** For any claims related to this contract, the Lessee's insurance coverage shall be primary insurance as respects the City, its officers, officials, employees, and volunteers. Any insurance or self-insurance maintained by the City, its officers,

officials, employees, or volunteers shall be excess of the Lessee's insurance and shall not contribute with it.

iii. **Notice of Cancellation.** Each insurance policy required above shall provide that coverage shall not be canceled, except with no less than thirty (30) days notice to the City.

iv. **Waiver of Subrogation.** Lessee hereby grants to City a waiver of any right to subrogation which any insurer of said Lessee may acquire against the City by virtue of the payment of any loss under such insurance. Lessee agrees to obtain and provide to City any endorsement that may be necessary to affect this waiver of subrogation, but this provision applies regardless of whether or not the City has received a waiver of subrogation endorsement from the insurer. A waiver of subrogation shall be effective as to any person or entity even though that person or entity would otherwise have a duty of indemnification, contractual or otherwise, did not pay for the insurance premium directly or indirectly and whether or not the person or entity had an insurable interest in the property damaged.

v. **Acceptability of Insurers.** Insurance is to be placed with insurers with a current A.M. Best's rating of no less than A-VII or higher, unless otherwise acceptable to the City.

vi. **Verification of Coverage.** Lessee shall furnish the City with Certificates of Insurance and amendatory endorsements of the applicable policy language effecting coverage required by this clause. All certificates and endorsements are to be received by City and approved by the City before work commences. However, failure to obtain the required documents prior to the work beginning shall not waive the Lessee's obligation to provide them. The City reserves the right to require complete, certified copies of all required insurance policies, including endorsements required by these specifications, at any time.

vii. **Special Risks or Circumstances** City reserves the right to modify these requirements, including limits, based on the nature of the risk, prior experience, insurer, coverage, or other special circumstances.

EXHIBIT C TO LAND LEASE AND LOAN AGREEMENT

Required Bond Forms
(see attached)

PERFORMANCE BOND FOR CONSTRUCTION
(Penalty of this bond must be 100% of the Construction Contract Amount)

KNOW ALL MEN BY THESE PRESENT, that, _____ (hereinafter "Principal"), as Principal, and _____ (a corporation organized and existing under the laws of the State of _____, with its principal office in the City of _____, (hereinafter "Surety"), as Surety, are held and firmly bound unto the City of Sedona in the County of Yavapai, State of Arizona, (hereinafter "Obligee"), in the amount of $_____ Dollars ($ _____) for the payment thereof, the said Principal and Surety bind themselves, and their heirs, administrators, executors, successors and assigns, jointly and severally, firmly by these present.

WHEREAS, the Principal has entered into a certain written contract with the Obligee, dated the ___day of _____, 20____, for _____, for which contract is hereby referred to and made a part hereof as fully and to the same extent as if copied at length herein.

NOW, THEREFORE, THE CONDITION OF THIS OBLIGATION IS SUCH, that, if the said Principal shall faithfully perform and fulfill all the undertakings, covenants, terms, conditions, and agreements of said Contract during the original term of said Contract and any extension thereof, with or without notice to the Surety, and during the life of any guaranty required under the Contract, and shall also perform and fulfill all the undertakings, covenants, terms, conditions, and agreements of any all duly authorized modifications of said Contract that may hereafter be made, notice of which modifications to the Surety being hereby waived; then the above obligation shall be void, otherwise to remain in full force and effect.

PROVIDED, HOWEVER, that if this bond is executed pursuant to the provisions of Title 34, Chapter 6, of the Arizona Revised Statutes, all liabilities on this Bond shall be determined in accordance with the provisions of said Title, Chapter, and Article, to the extent as if it were copied at length herein.

THE prevailing party in a suit on this Bond shall be entitled to such reasonable attorney's fees as may be fixed by a judge of the Court.

WITNESS our hands this ____ day of _____, 20_____

PRINCIPAL SEAL

By: _____

_____
SURETY SEAL

A.M. BEST RATING:

By: _____
ATTORNEY-IN-FACT

AGENT OF RECORD

_____
AGENT ADDRESS

_____
TELEPHONE NUMBER

By: _____
AGENT

LABOR AND MATERIALS BOND
(Penalty of this Bond must be 100% of the Construction Contract Amount)

KNOW ALL MEN BY THESE PRESENT, that, _____ (hereinafter "Principal"), as Principal, and _____ (a corporation organized and existing under the laws of the State of _____, with its principal office in the City of _____, (hereinafter "Surety"), as Surety, are held and firmly bound unto the City of Sedona in the County of Yavapai, State of Arizona, (hereinafter "Obligee"), in the amount of $_____ Dollars ($ _____) for the payment thereof, the said Principal and Surety bind themselves, and their heirs, administrators, executors, successors and assigns, jointly and severally, firmly by these present.

WHEREAS, the Principal has entered into a certain written contract with the Obligee, dated the ___ day of _____, 20____, for _____, for which contract is hereby referred to and made a part hereof as fully and to the same extent as if copied at length herein.

NOW, THEREFORE, THE CONDITION OF THIS OBLIGATION IS SUCH, that, if the said Principal shall promptly pay all moneys due to all persons supplying labor or materials to him or his subcontractors in the prosecution of the work provided for in said contract, then this obligation shall be void, otherwise to remain in full force and effect.

PROVIDED, HOWEVER, that if this bond is executed pursuant to the provisions of Title 34, Chapter 6, of the Arizona Revised Statutes, then all liabilities on this Bond shall be determined in accordance with the provisions of said Title, Chapter, and Article, to the extent as if it were copied at length herein.

THE prevailing party in a suit on this Bond shall be entitled to such reasonable attorney's fees as may be fixed by a judge of the Court.

WITNESS our hands this ____ day of _____, 20_____

PRINCIPAL SEAL

By: _____

_____
SURETY SEAL

A.M. BEST RATING:

By: _____
ATTORNEY-IN-FACT

AGENT OF RECORD

_____
AGENT ADDRESS

_____
TELEPHONE NUMBER

By: _____
AGENT

EXHIBIT D TO LAND LEASE AND LOAN AGREEMENT

Loan Documents - Promissory Note, Deed of Trust
(see attached)

When recorded, mail to:

Office of the City Clerk
City of Sedona, Arizona
102 Roadrunner Drive
Sedona, AZ 86336

CITY OF SEDONA AFFORDABLE HOUSING LOAN
LEASEHOLD DEED OF TRUST AND ASSIGNMENT OF RENTS

DATE: _____, 202__

PROPERTY ADDRESS: _____, Sedona, Arizona 86336

TRUSTOR: _____

TRUSTOR'S MAILING ADDRESS:_____

BENEFICIARY: City of Sedona, an Arizona municipal corporation BENEFICIARY'S

ADDRESS: 102 Roadrunner Drive, Sedona, Arizona 86336

TRUSTEE: Kurt W. Christianson, Sedona City Attorney and a member of the State Bar of Arizona, 102 Roadrunner Drive, Sedona, AZ 86336.

WHEREAS, Beneficiary is the owner in fee simple of the land and improvements located thereon as Property in Yavapai County, State of Arizona, legally described as:

> The Land referred to herein below is situated in the County of Yavapai, State of Arizona, and is described as follows:
> _____
> _____
> _____
> _____
> _____
> _____
> _____

This City of Sedona Affordable Housing Loan Leasehold Deed of Trust and Assignment of Rents ("Deed of Trust") made between Trustor, Trustee and Beneficiary above named, WITNESSETH: That Trustor irrevocably grants, conveys, transfers and assigns to Trustee in Trust, with Power of Sale, all buildings, improvements and fixtures located thereon or hereinafter erected thereon, together with the leases, rents, issues profits or income thereof (all of which are hereinafter called "property income"); TOGETHER WITH all interests, estates or other claims, both in law and in equity, which Trustor now has or may hereafter acquire in the Premises or the Improvements; TOGETHER WITH all

right, title and interest of Trustor in (i) the property and interests in property, (ii) all other personal property now or hereafter owned by Trustor that is now or hereafter located on or used in connection with the Premises or the Improvements, (iii) all other rights and interests of Trustor now or hereafter held in personal property that is now or hereafter located on or used in connection with the Premises or the Improvements, (iv) all personal property and rights and interests in personal property of similar type or kind hereafter acquired by Trustor, and (v) all proceeds thereof (such personal property and proceeds referred to herein collectively as the "**Personal Property**");

SUBJECT, HOWEVER, to the right, power and authority hereinafter given to and conferred upon Beneficiary to collect and apply such property income; AND SUBJECT TO existing taxes, assessments, liens, encumbrances, covenants, conditions, restrictions, rights of way and easements of record.

FOR THE PURPOSE OF SECURING:

Performance of each agreement of Trustor herein contained:

A. Payment of the indebtedness evidenced by that Promissory Note of even date herewith, and any extension or renewal thereof, in the principal sum of $_____ executed by Trustor in favor of Beneficiary.

B. Payment of additional sums and interest thereon, which may hereafter be loaned to Trustor, or Trustor's successors or assigns, when evidenced by a promissory note or notes reciting that they are secured by this Deed of Trust.

C. Performance of the obligations arising under that certain Land Lease Agreement between the City of Sedona and _____, dated as of the ___ day of _____, 202__ and recorded on the ___ day of _____, 202__ as Yavapai County Recorder instrument number _____ (the "Land Lease Agreement"), including Trustor's obligations under the Land Lease Agreement to construct the Project (as defined in the Land Lease Agreement) pursuant to the terms of the Land Lease Agreement.

D. Payment of all sums advanced by Beneficiary to protect the Trust Estate, with interest thereon equal to the lesser of four and forty-four hundredths percent (4.44%) per annum or the maximum rate per annum permitted by applicable law.

E. For the benefit of Beneficiary, compliance with and performance of each and every provision of any declaration of covenants, conditions and restrictions, any maintenance, easement and party wall agreement, or any other agreement, document, or instrument by which the Trust Estate is bound or may be affected.

TO PROTECT THE SECURITY OF THIS DEED OF TRUST, TRUSTOR AGREES:

1. To keep said property in good condition and repair; not to remove or demolish any building thereon; to complete and restore promptly and in good and workmanlike manner any building

which may be constructed, damaged or destroyed thereon, and to pay when due all claims for labor performed and materials furnished therefore; to comply with all laws affecting said property or requiring any alterations or improvements to be made thereon; not to commit or permit waste thereof; not to commit, suffer or permit any act upon said property in violation of law; and, do all other acts which from the character or use of said property may be reasonably necessary, the specific enumerations herein not excluding the general.

2. To provide, maintain and deliver to Beneficiary insurance policies satisfactory to and with loss payable to Beneficiary. The amount collected under any fire or other insurance policy may be applied by Beneficiary upon any indebtedness secured thereby and in such order as Beneficiary may determine, or at option of Beneficiary the entire amount so collected or any part thereof may be released to Trustor. Such application or release shall not cure or waive any default or notice of Trustee's sale hereunder or invalidate any act done pursuant to such notice. In the event of foreclosure of this Deed of Trust, as a mortgage, a sale under the power of sale, or any other transfer of title or assignment of the Trust Estate in extinguishment, in whole or in part, of the obligations, all right, title and interest of Trustor in and to all policies of insurance required hereof shall inure to the benefit of and pass to the successor in interest to Trustor or the purchaser or grantee of the Trust Estate, to the extent such policies are assignable pursuant to the terms thereof.

3. To appear in and defend any action or proceeding purporting to affect the security thereof or the rights or powers of Beneficiary or Trustee, including cost of evidence of title and attorney's fees in a reasonable sum, in any such action or proceeding in which Beneficiary or Trustee may appear or be named, and in any suit brought by Beneficiary to foreclose this Deed of Trust.

4. To pay before delinquent, all taxes and assessment affecting said property; when due, all encumbrances, charges and liens, with interest, on said property or any part thereof, which appear to be prior or superior hereto; all costs, fees and expenses of this Trust, including, without limited the generality of the foregoing, the fees of Trustee for issuance of any Deed of Partial Release and Partial Reconveyance or Deed of Release and Full Reconveyance, and all lawful charges, costs and expenses in the event of reinstatement of, following default in, this Deed of Trust or the obligations secured hereby.

   Should Trustor fail to make any payment or to do any act as herein provided, then Beneficiary or Trustee, but without obligation to do so and without notice or demand upon Trustor and without releasing Trustor from any obligation hereof, may: make or do the same in such manner and to such extent as either may deem necessary to protect the security thereof, Beneficiary or Trustee being authorized to enter upon said property for such purposes; appear in and defend any action or proceeding purporting to affect the security hereof or the rights of powers of Beneficiary or Trustee; pay, purchase, contest or compromise any encumbrance, charge or lien which in the judgment of either appears to be superior hereto; and, in exercising any such powers, pay necessary expenses, employ counsel and pay its reasonable fees.

5. To pay immediately and without demand all sums expended by Beneficiary or Trustee pursuant to the provisions hereof, together with interest from date of expenditure at the same rate as is provided for in the note(s) secured by this Deed of Trust or at the highest legal rate, whichever be the greater rate. Any amounts so paid by Beneficiary or Trustee shall become part of the debt

secured by this Deed of Trust and a lien on said premises or shall become immediately due and payable at option of Beneficiary or Trustee.

IT IS MUTUALLY AGREED:

6. That any award of damages in connection with condemnation or any such taking, or for injury to the property by reason of public use, or for damages for private trespass or injury thereto, is assigned and shall be paid to Beneficiary as further security for all obligations secured hereby (reserving unto the Trustor; however, the right to sue therefore and ownership thereof subject to this Deed of Trust), and upon receipt of such monies Beneficiary may hold the same as such further security, or apply or release the same manner and with the same effect as above provided for disposition of proceeds of fire or other insurance.

7. That time is of the essence of this Deed of Trust, and by accepting payment of any sum secured hereby after its due date, Beneficiary does not waive its right either to require prompt payment when due of all other sums so secured or to declare default for failure so to pay.

8. That at any time or from time-to-time, and without notice, upon written request of Beneficiary and presentation of this Deed of Trust and said note(s) for endorsement and without liability therefore, and without affecting the personal liability of any person for payment of the indebtedness secured hereby, and without affecting the security hereof for the full amount secured hereby on all property remaining subject hereto, and without the necessity that any sum representing the value or any portion thereof of the property affected by the Trustee's action be credited on the indebtedness, the Trustee may: (a) release and reconvey all or part of said property; (b) consent to the making and recording, or either, of any map or plat of the property or any part thereof; 9c) join in granted any easement thereon; (d) join in or consent to any extension agreement subordinating the lien, encumbrance or charge thereof.

9. That upon written request of Beneficiary stating that all sums secured hereby have been paid and upon surrender of the Deed of Trust and said note(s) to Trustee for cancellation, and upon payment of its fees, Trustee shall by Deed of Release and Full Reconveyance release and reconvey, without covenant or warranty, express or implied, the property then held hereunder. The recitals in such Deed of Release and Full Reconveyance of any matters shall be conclusive proof of the truthfulness thereof. The grantee in such Deed of Release and Full Reconveyance may be described as "The Person or Persons Legally Entitled Thereto."

10. <u>Assignment of Rents</u>.

    10.1. Trustor hereby absolutely and irrevocably assigns and transfers to Beneficiary, equally and ratably, all the Rents of the Trust Estate and hereby gives to and confers upon Beneficiary, acting collectively, the right, power and authority, to collect the Rents. Trustor irrevocably appoints Beneficiary its true and lawful attorney-in-fact, at their option at any time and from time to time, acting collectively, to demand, receive and enforce payment, to give receipts, releases and satisfactions, and to sue, in the name of Trustor or Beneficiary, for all Rents and apply the same to the payment of the obligations. Trustor hereby authorizes and directs the lessees, tenants and occupants to make all payments under the Leases directly to Beneficiary upon and as directed in written demand by Beneficiary without further consent of Trustor;

provided, however, that Trustor shall have the right to collect such Rents (but not more than one (1) month in advance unless the written approval of Beneficiary is first obtained), and to retain and enjoy same, so long as an Event of Default shall not have occurred hereunder or under any of the Loan Documents. The assignment of the Rents of the Trust Estate is intended to be an absolute assignment from Trustor to Beneficiary and not merely the passing of a security interest.

10.2. Collection Upon an Event of Default.

Upon the occurrence of an Event of Default, Beneficiary may, at any time without notice, either in person, by agent or by a receiver appointed by a court, and without regard to the adequacy of any security for the Obligations, enter upon and take possession of the Trust Estate, or any part thereof, and, with or without such entry or taking possession, in their own name sue for or otherwise collect the Rents (including, without limitation, those past due and unpaid) and apply the same, less costs and expenses of operation and collection (including, without limitation, attorneys' fees) toward payment of the obligations. The collection of such Rents, or the entering upon and taking possession of the Trust Estate, or the application of the Rents as aforesaid, shall not cure or waive any default or notice of default hereunder or invalidate any act done in response to such default or pursuant to such notice of default. Trustor also hereby authorizes Beneficiary upon such entry, at their option, acting collectively, to take over and assume the management, operation and maintenance of the Trust Estate and to perform all acts they in their sole discretion (as agreed among them) deem necessary and proper and to expend such sums out of Rents as may be needed in connection therewith, in the same manner and to the same extent as Trustor theretofore could do (including without limitation, the right to enter into new leases, to cancel, surrender, alter or amend the terms of and/or renew existing Leases and/or to make concessions to tenants). Trustor hereby releases all claims of any kind or nature against Beneficiary arising out of such management, operation and maintenance, excepting the liability of Beneficiary to account as hereinafter set forth.

10.3. Application of Rents.

Upon such entry, Beneficiary shall, as agreed among them, after payment of all property charges and expenses (including, without limitation, reasonable compensation to such managing agent as they may select and employ) and after the accumulation of a reserve to meet requisite amounts, credit the net amount of the Rents received by them to the Obligations. Beneficiary shall be accountable for more monies than it actually receives from the Trust Estate; nor shall it be liable for failure to collect Rents. Beneficiary shall make reasonable efforts to collect Rents, reserving, however, within their own absolute and sole discretion, as agreed among them, the right to determine the method of collection and the extent to which enforcement of collection of Rents shall be prosecuted and their judgment shall be deemed conclusive and reasonable.

10.4. Mortgagee in Possession.

It is not the intention of the parties hereto that an entry by Beneficiary upon the Premises under the terms of this instrument shall make Beneficiary a party in possession in contemplation of the law, except at the option of Beneficiary as agreed among them.

10.5. Indemnity.

Trustor hereby agrees to indemnify and hold harmless Beneficiary for, from and against any and all losses, liabilities, obligations, claims, demands, damages, penalties, judgments, costs, and expenses, including reasonable legal fees and expenses, howsoever and by whomsoever asserted, arising out of or in any way connected with this assignment of Rents; and all such losses, liabilities, obligations, claims, demands, damages, penalties, judgments, costs and expenses shall be deemed added to the indebtedness secured hereby and shall be secured by any and all other instruments securing said indebtedness.

10.6. No Obligation to Perform.

Nothing contained herein shall operate or be construed to obligate Beneficiary to perform any obligations of Trustor under any Lease (including, without limitation, any obligation arising out of any covenant of quiet enjoyment therein contained in the event the lessee under any such Lease shall have been joined as a party defendant in any action to foreclose and the estate of such lessee shall have been thereby terminated). Prior to actual entry into and taking possession of the Premises by Beneficiary, this assignment of Rents shall not operate to place upon Beneficiary any responsibility for the operation, control, care, management or repair of the Trust Estate or any portion thereof, and the execution of this Assignment of Rents by Trustor shall constitute conclusive evidence that all responsibility for the operation, control, care, management and repair of the Trust Estate is and shall be that of Trustor, prior to such actual entry and taking of possession by Beneficiary.

11. SECURITY AGREEMENT

11.1. Creation of Security Interest.

Trustor hereby grants to Beneficiary a security interest in and to all Personal Property.

11.2. Representations, Warranties and Covenants of Trustor.

Trustor hereby represents, warrants and covenants (which representations, warranties and covenants shall survive creation of any indebtedness of Trustor to Beneficiary and any extension of credit thereunder) as follows:

11.2.1. The Personal Property is not used or bought for personal, family or household purposes.

11.2.2. The tangible portion of the Personal Property will be kept on or at the Premises or Improvements and Trustor will not, without the prior written consent of Beneficiary, remove the Personal Property or any portion thereof therefrom except such portions or items of Personal Property which are consumed or worn out in ordinary usage, all of which shall be promptly replaced by Trustor with similar items of equal or greater value.

11.2.3. At the request of Beneficiary, Trustor will permit Beneficiary to prepare and file one or more financing statements and fixture filings pursuant to the Uniform Commercial Code of Arizona as in effect in the State of Arizona, Arizona Revised Statutes ("**A.R.S.**") Sections 47-1101 through 47-11107, as amended from time to time ("**Uniform Commercial Code of Arizona**"), in form satisfactory to Beneficiary and will pay the cost of recording and filing the same in all public offices wherever recording or filing is deemed by Beneficiary to be necessary or desirable.

11.2.4. Trustor does not do business under any trade name except as previously disclosed in writing to Beneficiary. Trustor will immediately notify Beneficiary in writing of any change in its responsible individual or the adoption or change of any trade name or fictitious business name, and will upon request of Beneficiary execute any additional financing statements or other certificates necessary to reflect the adoption or change in trade name or fictitious business name.

11.2.5. Trustor shall immediately notify Beneficiary of any claim against the Personal Property adverse to the interest of Beneficiary therein.

11.3. Use of Personal Property by Trustor.

Until the occurrence of an Event of Default hereunder or under any Loan Document, Trustor may have possession of the Personal Property and use it in any lawful manner not inconsistent with this Deed of Trust and not inconsistent with any policy of insurance thereon.

11.4. Remedies Upon an Event of Default.

11.4.1. In addition to the remedies provided in this Deed of Trust, upon the occurrence of an Event of Default hereunder, Beneficiary may, at its option, do any one or more of the following:

11.4.1.1. Either personally, or by means of a court appointed receiver, take possession of all or any of the Personal Property and exclude therefrom Trustor and all others claiming under Trustor, and thereafter hold, store, use, operate, manage, maintain and control, make repairs, replacements, alterations, additions and improvements to and exercise all rights and powers of Trustor with respect to the Personal Property or any part thereof. In the event Beneficiary demands, or attempts to take possession of the Personal Property in the exercise of any rights under this Deed of Trust, Trustor agrees to promptly turn over and deliver possession thereof to Beneficiary.

11.4.1.2. Without notice to or demand upon Trustor, make such payments and do such acts as Beneficiary may deem necessary to protect their security interest in the Personal Property (including, without limitation, paying, purchasing, contesting or compromising any Lien or Encumbrance, whether superior or inferior to such security interest) and in exercising any such powers or authority to pay all expenses

(including, without limitation, litigation costs and reasonable attorneys' fees) incurred in connection therewith;

11.4.1.3. Require Trustor from time to time to assemble the Personal Property, or any portion thereof, at the Premises. Beneficiary and its agents and representatives, shall have the right to enter upon any or all of Trustor's premises and property to exercise Beneficiary's rights hereunder;

11.4.1.4. Realize upon the Personal Property or any part thereof as herein provided or in any manner permitted by law and exercise any and all of the other rights and remedies conferred upon Beneficiary by this Deed of Trust or any other Loan Document, or by law, either concurrently or in such order as Beneficiary may determine;

11.4.1.5. Sell or cause to be sold in such order as Beneficiary may determine, as a whole or in such parcels as Beneficiary may determine, the Personal Property and the remainder of the Trust Estate;

11.4.1.6. Sell, lease or otherwise dispose of the Personal Property at public sale, upon terms and in such manner as Beneficiary may determine. Beneficiary may be a purchaser at any sale; and

11.4.1.7. Exercise any remedies of a secured party under the Uniform Commercial Code of Arizona or any other applicable law.

11.4.2. Unless the Personal Property is perishable or threatens to decline speedily in value or is of a type customarily sold on a recognized market, Beneficiary shall give Trustor at least 5 days prior written notice of the time and place of any public sale of the Personal Property or other intended disposition thereof to be made. Such notice may be mailed to Trustor at the address set forth in Section 5.5 hereof.

11.4.3. The proceeds of any sale under Section 3.4(a)(vi) hereof shall be applied as follows:

11.4.3.1. To the repayment of the reasonable costs and expenses of taking, holding, and preparing for the sale and selling the Personal Property (including, without limitation, costs of litigation and reasonable attorneys' fees) and the discharge of all Impositions, Liens and Encumbrances, and claims thereof, if any, on the Personal Property prior to the security interest granted herein (except any Impositions or Liens and Encumbrances subject to which such sale shall have been made);

11.4.3.2. To the payment of the obligations hereof; and

11.4.3.3. The surplus, if any, shall be paid to the Trustor or to whomsoever may be lawfully entitled to receive the same, or as a court of competent jurisdiction may direct.

Beneficiary shall have the right to enforce one or more remedies hereunder, successively or concurrently, and such action shall not operate to estop or prevent Beneficiary from pursuing any further remedy that it may have. Any repossession or retaking or sale of the Personal Property pursuant to the terms hereof shall not operate to release Trustor until full payment of any deficiency has been made in cash.

11.5. Security Agreement.

This Deed of Trust constitutes and shall be deemed to be a "security agreement" for all purposes of the Uniform Commercial Code of Arizona and Beneficiary shall be entitled to all the rights and remedies of a "secured party" under such Uniform Commercial Code of Arizona. This Deed of Trust shall be recorded and filed in the real property records accordingly.

12. That as additional security, Trustor hereby gives to and confers upon Beneficiary the right, power and authority, during the continuance of this Trust, to collect the property income, reserving to Trustor the right, prior to any default by Trustor in payment of any indebtedness secured hereby or in performance of any agreement hereunder, to collect and retain such property income as it becomes due and payable. Upon any such default Beneficiary may at any time without notice, either in person, by agent or by a receiver to be appointed by a court, and without regard to the adequacy of any security for the indebtedness hereby secured, enter upon and take possession of said property or any part thereof, in its own name sue for or otherwise collect such property income, including reasonable attorney's fees, upon any indebtedness secured hereby, and in such order as Beneficiary may determine. The entering upon and taking possession of said property, the collection of such property income and the application thereof as aforesaid, shall not cure or waive any default or notice of Trustee's sale hereunder or invalidate any act done pursuant to such notice.

13. That upon default by Trustor the payment of any indebtedness hereby or in performance of any agreement hereunder, Beneficiary may declare all sums secured hereby immediately due and payable by delivery to Trustee of written notice thereof, setting forth the nature thereof and of election to cause to be sold said property under this Deed of Trust. Beneficiary also shall deposit with Trustee this Did of Trust, said note(s) and all documents evidencing expenditures secured hereby.

14. Trustee shall record and give notice of Trustee's sale in a manner required by law, and after the lapse of such time as may then be required by law, Trustee shall sell, in the manner required by law, said property at public auction at the time and place affixed by it in said notice of Trustee's sale to the highest bidder for cash in lawful money of the United States of America, payable at time of sale. Trustee may postpone or continue the sale by giving notice of postponement or continuance by public declaration at the time and place last appointed for the sale. Trustee shall deliver to such purchaser its Deed conveying the property so sold, but without any covenant or

warranty, expressed or implied. Any persons, including Trustor, Trustee or Beneficiary, may purchase at such sale.

15. After deducting all costs, fees and expenses of Trustee and of this Trust, including cost of evidence of title in connection with sale and reasonable attorney's fees, Trustee shall apply the proceeds of the sale to payment of all sums then secured hereby and all other sums due, under the terms hereof, with accrued interest, and, the remainder, if any, to the person or persons legally entitled thereto, or as provided in A.R.S. Sec. 33-812. To the extent permitted by law, an action may be maintained by Beneficiary to recover a deficiency judgment for any balance due hereunder.

    The purchaser at the Trustee's sale shall be entitled to immediate possession of the property against Trustor and shall have a right to the summary proceedings to obtain possession provided in Title 12, Chapter 8, Article 4, Arizona Revised Statues, together with costs and reasonable attorney's fees. In lieu of sale pursuant to the power of sale conferred hereby, this Deed of Trust may be foreclosed in the same manner provided by law for the foreclosure of mortgages on real property. Beneficiary shall also have all other rights and remedies available to it hereunder and at law or in equity. All rights and remedies shall be cumulative.

16. That Beneficiary may appoint a successor Trustee in the manner prescribed by law. A successor Trustee here shall, without conveyance from the predecessor Trustee, succeed to all the predecessor's title, estate, right, powers and duties. Trustee may resign by mailing or delivering notice thereof to Beneficiary and Trustor.

17. That this Deed of Trust applies to, inures to the benefit of, and binds all parties hereto, their heirs, legatees, devisees, administrators, executors, successors and assigns. The term Beneficiary shall mean the owner and holder of the note(s) secured hereby, whether or not named as Beneficiary herein. In this Deed of Trust, whenever the context so requires, the masculine gender includes the feminine and neuter, and the singular number includes the plural.

18. That Trustee accepts this Trust when this Deed of Trust duly executed a n d acknowledged, is made a public record as provided by law. Trustee is not obligated to notify any party hereto of pending sale under any other Deed of Trust or of any action or proceeding in which Trustor, Beneficiary or Trustee shall be a party unless brought by Trustee. In the event Trustee is made a party in any legal or court proceeding as a result of litigation between Trustor and Beneficiary or between a third party and either or both of Trustor and/or Beneficiary, the attorney's fees and costs of Trustee shall be paid by either Trustor or Beneficiary, whichever is the non-prevailing party.

19. Time is of the essence of the Deed of Trust and each and every provision hereof.

20. Trustor requests that a copy of any notice of Trustee's sale hereunder be mailed to Trustor at Trustor's mailing address hereinbefore set forth. All notices required hereby shall be sent to

the addresses indicated above unless such party shall have recorded a Request for Notice pursuant to A.R.S. Sec. 33-809.A in the county recorder's office of the county where the property encumbered hereby is located, indicating a different address.

21. In the event that Trustor shall sell, convey, or alienate or otherwise transfer the subject property, or any part thereof, or any interest therein, or shall be divested of title or any interest therein in any manner or way, whether voluntarily or involuntarily, without the written consent of Beneficiary being first obtained, said Beneficiary, to the fullest extent provided by law, shall have the right at its option to declare any indebtedness or obligation secured by this Deed of Trust, irrespective of the maturity date specified in the Note evidencing the same, immediately due and payable.

22. Trustor waives, to the extent permitted by law, (a) the benefit of all laws now existing or that may hereafter be enacted providing for any appraisement before sale of any portion of the Trust Estate, and (b) all rights of redemption, valuation, appraisement, stay of execution, notice of election to mature or declare due the obligations and marshaling in the event of foreclosure of the liens hereby created and (c) all rights and remedies that Trustor may have or be able to assert by reason of the laws of the State of Arizona pertaining to the rights and remedies of sureties including, without limitation, A.R.S. §§ 12-1641 through 12-1646, and Arizona Rules of Civil Procedure 17(f).

23. All obligations of Trustor herein shall be the joint and several obligations of each party executing this Deed of Trust as Trustor.

24. If any provision of this Deed of Trust is unenforceable, the enforceability of the other provisions shall not be affected and they shall remain in full force and effect. If the lien of this Deed of Trust is invalid or unenforceable as to any part of the debt, or if the lien is invalid or unenforceable as to any of the Trust Estate, the unsecured or partially secured portion of the debt shall be completely paid prior to the payment of the remaining and secured or partially secured portion of the debt, and all payments made on the debt, whether voluntary or under foreclosure or other enforcement action or procedure, shall be considered to have been first paid on and applied to the full payment of that portion of the debt which is not secured or fully secured by the lien of this Deed of Trust.

IN WITNESS WHEREOF, Trustor has executed this Deed of Trust as of the day and year first above written.

TRUSTOR:

_____

By: _____

Title: _____

STATE OF ARIZONA)
) ss.
County of Yavapai)

On this_____day of_____, 202___, before me, the undersigned Notary Public, personally appeared_____, who acknowledged himself/herself to be the _____ of_____, and that as such, being authorized so to do, executed the foregoing instrument for the purposes therein contained.

IN WITNESS WHEREOF, I hereunto set my hand and official seal.

_____

Notary Public

My Commission Expires:

_____

When recorded, mail to:

Office of the City Clerk
City of Sedona, Arizona
102 Roadrunner Drive
Sedona, AZ 86336

CITY OF SEDONA AFFORDABLE HOUSING
LOAN SECURED PROMISSORY NOTE

$_____

_____, 202__
Sedona, Arizona

FOR VALUE RECEIVED, _____ ("Maker") promises to pay to the City of Sedona, an Arizona municipal corporation ("Payee"), at 102 Roadrunner Drive, Sedona, AZ 86336, or at such other place as the Payee may designate pursuant to paragraph 10 below, in lawful money of the United States of America, the principal sum of _____ ($_____) (the "City Loan") advanced under the Land Lease Agreement between Maker and Payee dated the ___ day of _____ 202__ (the "Land Lease").

1. The sums advanced under this City of Sedona Affordable Housing Loan Secured Promissory Note (the "Note") shall be used to construct thirty-five (35) to fifty (50) affordable housing units on Payee property located at _____, Sedona, Arizona 86336, as legally described in Exhibit 1 attached to this Note and incorporated herein by this reference (the "Property"). Payment of this Note will be secured by a Deed of Trust and Assignment of Rents (the "Deed of Trust") from the Maker to Payee to be recorded against the Property.

2. Subject to Section 4 below, the Maker shall pay the Payee monthly installments of principal and interest at the rate of 4.44 % (the January 2025 long-term Applicable Federal Rate compounded monthly ("AFR")) per annum, beginning on the expiration of the Construction Term in the Land Lease or upon completion of the Project as defined in the Land Lease, and continuing on the 1st day of each month thereafter, together with all outstanding and accrued interest on the City Loan amount. The term of this Note shall be thirty (30) years from the date written above, provided however, that no event of default under this Note shall have occurred during said term. If an event of default occurs during the term of this Note, said term shall not expire unless the default is cured as provided herein or until this Note is paid in full. Upon payment in full of the obligations under this Note, the debt evidenced by this Note shall be forgiven.

3. Maker shall have the right to prepay this Note, in whole, without penalty, discount, or premium.

4. The occurrence of any of the following shall constitute an event of default under this Note: Maker fails to pay any amount due hereunder within fifteen (15) days of written demand; or (ii) any sale, lease, exchange, conveyance, assignment, refinance or other transfer of the Property without the prior written consent of Payee.

5. Upon the occurrence of any event of default, or at any time thereafter, at the option of the Payee, the entire unpaid principal sum of this Note shall become immediately due and payable, after the expiration of any applicable notice and cure periods. This option may be exercised at any time following any such event. The failure to exercise this option shall not constitute a waiver of the right to exercise such option in any subsequent even of default. Payee's failure in the exercise of any other right or remedy hereunder or under any agreement which secures the indebtedness or is related thereto shall not affect any right or remedy and no single or partial exercise of any such right or remedy shall preclude any further exercise thereof.

6. Payee shall not exercise any right or remedy provided for herein because of any default of maker unless, in the event of a monetary default, Maker shall have failed to pay the outstanding sums within a period of thirty (30) calendar days after the date of the notice that payment was due, or in the event of a nonmonetary default, Payee shall have first given written notice thereof to Maker, and Maker shall have failed to cure the nonmonetary default within a period of thirty (30) calendar days after the date of such notice; provided that if the nonmonetary default cannot be cured within thirty (30) calendar days and Maker proceeds diligently with effort to cure such default until it shall be fully cured within no more than ninety (90) calendar days after the giving of such notice, Payee shall not exercise any right or remedy provided for herein until such ninety (90) day period shall expire. Notwithstanding the foregoing, Payee shall not be required to give any notice or allow any part of the grace period if Maker shall have filed a petition in bankruptcy or for reorganization or a bill in equity or otherwise initiated proceedings for the appointment of a receiver of its assets, or if Maker shall have made an assignment for the benefit of creditors, or if a receiver or trustee is appointed for Maker and such appointment or such receivership is not terminated within sixty (60) days of such appointment. With respect to any right to cure or cure period provided in this paragraph 7, performance of a cure by an entity or partner of Maker shall have the same effect as would like performance by Maker.

7. Maker and any endorsers hereof and all others who may become liable for all or any part of this obligation, severally waive presentment for payment, demand and protest and notice of protest, and of dishonor and nonpayment of this Note, and expressly consent to any extension of the time of payment hereof, or of any installment hereof, to the release of any party liable for this obligation. Any such extension or release may be made without notice to any of said parties and without in any way affecting or discharging this liability.

8. Maker shall pay immediately, upon demand, all costs and expenses of Payee, including without limitation reasonable attorney fees, for the collection of this Note upon default. Maker shall pay immediately, upon demand, all costs and expenses of Payee, including without limitation reasonable attorney's fees, if Payee seeks to have the Property abandoned by or reclaimed from any estate in bankruptcy, or attempts to have any stay or injunction prohibiting the enforcement or collection of the Note or prohibiting the enforcement of the Deed of Trust or any other agreement evidencing or securing this Note lifted by any bankruptcy or other court.

9. If Payee shall be made a party to or shall reasonably intervene in any action or proceeding, whether in court or before any governmental agency, affecting the Property or the title thereto or the interest of the Payee under the Deed of Trust, including without limitation, any form of condemnation or eminent domain proceeding, Maker shall reimburse Payee immediately upon demand for all costs, charges, and attorneys' fees incurred by payee in any such case, and the

same shall be secured by the Deed of Trust as a further charge and lien upon the Property.

10. All payments required under this Note shall be delivered to the Payee at the City of Sedona, 102 Roadrunner Drive, Sedona, AZ, 86336 or such other place as the Payee notifies Maker in writing.

11. This Note shall be binding upon Maker, its successors and assigns and shall inure to the benefit of Holder and any subsequent holder of all or any portion of this Note, and their respective successors and assigns. Holder may from time to time transfer all or any part of its interest in this Note and the Loan Documents, without notice to Maker.

12. This Note shall be construed in accordance with and be governed by the laws of the State of Arizona.

13. If any provision of this Note shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions hereof shall not in any way be affected or impaired thereby.

14. This Note shall be secured by the Deed of Trust encumbering the Property as set forth in paragraph 1 above.

15. No amendment, modification, change, waiver, release, or discharge hereof and hereunder shall be effective unless evidenced by an instrument in writing and signed by the party against whom enforcement is sought.

Remainder of Page Intentionally Blank.

EXHIBIT 1

CITY OF SEDONA AFFORDABLE HOUSING LOAN SECURED PROMISSORY NOTE

LEGAL DESCRIPTION OF PROPERTY

The Land referred to herein below is situated in the County of Yavapai, State of Arizona, and is described as follows:

_____

_____

_____

_____

_____

_____

APN: _____

IN WITNESS WHEREOF, the undersigned Maker has executed this Note on the date first written above.

MAKER:

By: _____

Title: _____

Date: _____

STATE OF ARIZONA)
) ss.
County of Yavapai)

On this_____day of_____, 202__, before me, the undersigned Notary Public, personally appeared_____, who acknowledged himself/herself to be the_____, and that as such, being authorized so to do, executed the foregoing instrument for the purposes therein contained.

IN WITNESS WHEREOF, I hereunto set my hand and official seal.

_____
Notary Public

My Commission Expires:

_____

EXHIBIT E TO LAND LEASE AND LOAN AGREEMENT

Permitted Encumbrance

(To Be Determined based on Lessee's response to
Request for Proposal No. 25-12RFP)

EXHIBIT F TO LAND LEASE AND LOAN AGREEMENT

Schedule of Performance

(To Be Determined based on Lessee's response to
Request for Proposal No. 25-12RFP)

EXHIBIT G TO LAND LEASE AND LOAN AGREEMENT

Budget

(To Be Determined based on Lessee's response to
Request for Proposal No. 25-12RFP)

Attachment C to Lease Option Agreement

Memorandum of Option

This Memorandum is entered into this ___ day of _____, 2025, between City of Sedona, an Arizona municipal corporation ("Optionor") and _____ ("Optionee").

Optionor and Optionee have entered into that certain Option Agreement, dated as of _____, 2025 (the "Option Agreement"), whereby Optionee was granted an exclusive option (the "Option") to lease from Optionor that certain real property described on Exhibit A attached hereto and incorporated herein by this reference (the "Property") pursuant to the provisions of the Option Agreement.

Optionor and Optionee desire to give actual and constructive notice to all persons dealing with the Property that Optionee has a vested and binding Option to lease the Property pursuant to the terms of the Option Agreement.

The Option will continue in full force and effect until the earlier of (i) the final exercise date determined in accordance with the terms and conditions of the Option Agreement (as such date may be specified in an instrument executed by Optionor and Optionee and recorded after the date hereof), or (ii) the date that the Option is terminated in accordance with the terms and conditions of the Option Agreement.

A copy of the Option Agreement is in the possession of both Optionor and Optionee. In the event of any conflict between this Memorandum of Option Agreement and the Option Agreement, the Option Agreement will control.

In witness whereof, the parties have executed this Memorandum of Option Agreement as of the date first set forth above.

[signatures and notarial acknowledgements appear on following pages]

Signatures for Memorandum of Option Agreement:

OPTIONOR: City of Sedona

By: _____
Its: _____

STATE OF ARIZONA)
)ss.
County of Yavapai)

The foregoing Memorandum of Option Agreement was acknowledged before me this ____ day of _____, 2025 by _____ as _____ on behalf of City of Sedona.

_____
My commission expires: Notary Public

OPTIONEE: _____

By: _____
Its: _____

STATE OF OHIO)
)ss.
County of)

The foregoing Memorandum of Option Agreement was acknowledged before me this ____ day of _____, 2025 by _____, _____, _____.

_____
My commission expires: Notary Public

SECTION VI - EXCEPTIONS TO RFP & LEASE DOCUMENTS

Legal Name of Proposer/Firm: _____

List any exceptions to the RFP or Sample Land Lease and Loan Agreement. Provide a summary discussion for proposed exceptions and include any proposed alternative. **If there are no exceptions, state "NONE."**

Exceptions:

If additional space is needed, include additional copies of this page.

SCHEDULE OF ATTACHMENTS

- Attachment A - ALTA survey
- Attachment B – Phase I Environmental Site Assessment

CITY COUNCIL AGENDA BILL

AB 3200
March 11, 2025
Regular Business

Agenda Item: 8c
Proposed Action & Subject: Discussion/possible action regarding adoption of a Capital Assets Policy.

Department	Financial Services
Time to Present	N/A
Total Time for Item	N/A
Other Council Meetings	N/A
Exhibits	A. Proposed Capital Assets Policy

Finance Approval	Reviewed 2/23/25 BGW
City Attorney Approval	Reviewed 2/25/25 KWC
City Manager's Recommendation	Recommend approval ABS 2/28/25

Expenditure Required
$ N/A
Amount Budgeted
$ N/A
Account No. (Description)

SUMMARY STATEMENT

Background: The Financial Services Department is reviewing and as necessary updating financial management policies. These policies ensure not only that the City is compliant with federal and state law, but also that taxpayers funds are managed with transparency and accountability. Good stewardship of public funds is the core mission of the Financial Services Department.

A Capital Asset Policy governs the classification, financial management, inventory, and disposal of capital assets. The City currently does not have a policy governing capital asset management.

Capital assets must have a useful life of greater than one year and meet the capitalization threshold for the asset class. The policy defines each asset class and thresholds for capitalization, as well as establishing a schedule for the physical inventory of assets, which shall be completed at least bi-annually.

The City of Sedona owns capital assets with a value over $220 million, inclusive of depreciation. Operating departments ensure that the assets are physically maintained; the role of the Financial Services Department is to ensure that the financial records accurately reflect the cost, depreciation, improvements and disposal of the City's assets according to Generally Accepted Accounting Principles (GAAP), Governmental Accounting Standards Board (GASB)

statements, and in compliance with any granting agency rules and/or restrictions in the case of grant-funded purchases.

Climate Action Plan/Sustainability Consistent: ☐**Yes -** ☐**No -** ☒**Not Applicable**

Board/Commission Recommendation: ☐**Applicable -** ☒**Not Applicable**

Alternative(s): n/a

MOTION

I move to: adopt the proposed Capital Assets Policy.

City of Sedona
Capital Asset Policy

Purpose

This Capital Asset Policy shall govern the classification, depreciation, financial management and disposal of all capital assets in accordance with the Government Accounting Standards Board (GASB) Statements and Government Finance Officers Association (GFOA) Best Practices. and any subsequent statements governing the accounting for capital assets.

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Definitions

1. **Asset.** An asset is a resource with economic value owned by the City. Assets may be cash, cash equivalents or tangible items like furniture, fixtures and equipment, vehicles or infrastructure.
2. **Capital Asset.** Capital assets include land, land improvements, buildings and facilities, building improvements, construction in progress, machinery and equipment, vehicles, infrastructure, easements, works of art and historical items acquired by the City for use in providing services and ensuring quality of life for residents. A capital asset is to be reported and depreciated in government-wide financial statements. In the governmental financial statements, assets that are not capitalized are expended in the year of acquisition.
3. **Useful Life.** The estimated period (years) during which an asset remains useful.
4. **Infrastructure Assets.** Infrastructure assets are long-lived capital assets that can be preserved for a significant number of years, greater than most capital assets that are stationary in nature. Examples include roads, bridges, tunnels, drainage systems, water and sewer systems and dams. Infrastructure assets do not include buildings, driveways, parking lots or any examples given above that are incidental to a property or access to the property.
5. **Capitalization Threshold.** The capitalization threshold, or minimum cost above which an asset is capitalized, varies by the type of asset. For example, Vehicles over $5,000 are capitalized; however, infrastructure assets under $50,000 are not capitalized. This difference is related to the relative cost and useful life of the assets.

6. **Depreciation.** Depreciation is the process of allocating the cost of a tangible asset to the periods of benefit. Capital assets are depreciated over their estimated useful life with a few exceptions.

Classification of Capital Assets

Capital assets include land, land improvements, buildings and facilities, building improvements, construction in progress, machinery and equipment, vehicles, infrastructure, easements, works of art and historical items acquired by the City for use in providing services and ensuring quality of life for residents. A capital asset is to be reported and depreciated in government-wide financial statements. In the governmental financial statements, assets that are not capitalized are expended in the year of acquisition.

Infrastructure assets are long-lived capital assets that can be preserved for a significant number of years, greater than most capital assets that are stationary in nature. Examples include roads, bridges, tunnels, drainage systems, water and sewer systems and dams. Infrastructure assets do not include buildings, driveways, parking lots or any examples given above that are incidental to a property or access to the property.

Land. Land is capitalized but not depreciated. It is recorded at historical cost and remains at that cost until disposal. If there is a gain or loss on the sale of land it is reported as a special item in the statement of activities.

Land Improvements. Land Improvements consist of betterments, site preparation, and site improvements (other than buildings) that ready land for its intended use. The costs associated with improvements to land are added to the cost of the land. Land improvements can be further categorized as inexhaustible, not requiring maintenance or replacement; or exhaustible, e.g., parking lots, landscaping and fencing.

Examples of items to be capitalized as land and land improvements include:

A. Purchase price or fair value
B. Commissions
C. Professional fees, includes title searches, architect, legal, engineering, appraisal, surveying, environmental assessments
D. Land excavation, fill, grading, and drainage
E. Demolition of existing buildings and improvements, less salvage
F. Removal, relocation or reconstruction of property owned by others, i.e., power, telephone and railroad lines
G. Interest on loans secured by the land, accrued at date of purchase
H. Accrued and unpaid taxes at date of purchase
I. Other costs incurred in acquiring the land

J. Water wells, including the initial cost for drilling, the pump and its casing
K. Permanent rights-of-way

Other Improvements. Other Improvements include land improvements that are exhaustible in nature and enhance the quality or facilitate the use of land for a specific purpose.
Examples of items to be capitalized as Other Improvements include:

A. Fencing and gates
B. Landscaping
C. Parking lots, driveways, and parking barriers
D. Outdoor sprinkler and irrigation systems
E. Recreation areas and athletic fields, including bleachers and other ancillary improvements
F. Paths and trails
G. Septic systems
H. Stadiums
I. Swimming pools, tennis courts, basketball courts, skate parks
J. Fountains
K. Plazas and pavilions
L. Retaining walls

Buildings. A building is defined as a structure that is permanently attached to the land, has a roof, is partially or completely enclosed by walls, and is not intended to be transportable or moveable. Certain buildings or structures that are an ancillary parts of infrastructure networks, such as well-houses and pumping stations are reported as infrastructure rather than as buildings.

Example of items to be capitalized as building:

Purchased Buildings

A. Original purchase price
B. Expenses for remodeling, reconditioning, or altering a purchased building to make it ready for its intended purpose
C. Environmental complies, i.e., asbestos abatement
D. Professional fees, includes architect, engineer, management fees for design and supervision, legal
E. Cancellation or buyout of existing leases
F. Other costs required to place or render the asset into operation

Constructed Buildings

A. Completed project costs
B. Cost of excavation or grading or filling of land for a specific building

C. Expenses incurred for the preparation of plans, specifications, blueprints
D. Building permits
E. Costs of temporary buildings used during construction
F. Additions to buildings, i.e., expansions, extensions, or enlargements

Building Improvements. Building Improvements include capitalized costs that materially extend the useful life of a building or increase the value of a building, or both, beyond one year. Building improvements should not include maintenance and repairs done in the normal course of business.

Examples of items to be capitalized as building improvements include:

A. Installation or upgrade of heating and cooling systems, including ceiling fans and attic fans
B. Original installation or upgrade of wall or ceiling covering such as carpeting, tiles, paneling, or parquet
C. Structural changes such as reinforcement of floors or walls, installation or replacement of beams, rafters, joists, steel grids, or other interior framing
D. Installation or upgrade of window or door-frames, upgrading windows or doors, built-in closet and cabinets
E. Interior renovation of casings, baseboards, light fixtures, ceiling trim
F. Installation or upgrade of plumbing and electrical wiring
G. Installation or upgrade of telecommunication system

Examples of items considered repairs or maintenance in nature and should not be capitalized as buildings or building improvements include:

A. Adding, removing and/or moving of walls relating to renovation projects that are not considered major rehabilitation projects and do not increase the value of the building
B. Improvement projects of minimal or no added life expectancy and/or value to the building
C. Plumbing or electrical repairs
D. Cleaning; pest extermination, or other periodic maintenance
E. Interior decoration, i.e., draperies, blinds, curtain roads, wallpaper
F. Exterior decoration, i.e., detachable awnings, uncovered porches, decorative fences
G. Maintenance-type interior renovation including repainting, touch-up plastering, replacement of carpet, tile, or pane sections, and refinishing of sinks and fixtures

Examples of items considered repairs or maintenance in nature and should not be capitalized as buildings or building improvements include (Continued):

A. Replacement of a part or component of a building with a new part of the same type and performance capabilities, e.g., replacement of an old boiler with a new one of the same type and performance capabilities
B. Any other maintenance-related expenditure, which does not increase the value of the building

Equipment, Machinery, and Vehicles. Equipment, Machinery, and Vehicles includes fixed or movable tangible assets used for operations, the benefits of which extend beyond one year from date of receipt.

Examples of expenditures to be capitalized as equipment, machinery, and vehicles include:

A. Original contract or invoice price
B. Freight charges
C. Handling and storage charges
D. In-transit insurance charges
E. Sales, use and other taxes imposed on the acquisition
F. Installation charges
G. Charges for testing and preparation for use
H. Cost of reconditioning used items when purchased
I. Parts and labor associated with the construction of equipment, machinery, or vehicle

Note that the cost of extended warranties and/or maintenance agreements, which can be separately identified from the cost of the equipment, machinery, or vehicle, shall not be capitalized.

Infrastructure Assets. are long-lived capital assets that are linear and/or stationary in nature and can be preserved for a significantly greater number of years than most capital assets.

Examples of infrastructure assets include:

A. Roads, streets, curbs, gutters, sidewalks
B. Bridges
C. Water and sanitary sewer systems
D. Drainage and storm water systems
E. Street light systems
F. Signage

Infrastructure assets shall be capitalized and depreciated unless the modified approach is used. The modified approach is an alternative to reporting depreciation for infrastructure assets that meet the following criteria:

A. The assets are managed using a qualifying asset management system; and
B. It is documented that the assets are preserved at or above a base level condition established by the City.

Under the modified approach the infrastructure assets are not depreciated, and only the costs that increase the capacity or efficiency of the asset are capitalized. All other expenditures that preserve the useful life of the assets are expensed in the year the improvement is completed. Only infrastructure assets that comprise

a network or subsystem of a network can be reported using the modified approach. (E.g., wastewater system)

Other Capital Assets. includes computer software that is either purchased or developed for internal use, which should be capitalized, if the cost of the software exceeds the capitalization threshold and depreciated over the software's estimated useful life. Capitalization of computer software includes software license fees if the total dollar amount of the fee divided by the number of units or terminals exceeds the threshold.

Examples of expenditures to be capitalized as computer software include:

A. External direct costs of materials and services, e.g., third-party fees for services
B. Costs to obtain software from third parties
C. Travel costs incurred by employees in their duties directly associated with development
D. Payroll and payroll-related costs of employees directly associated with or devoting time to encoding, installing, or testing
E. Costs to develop or obtain software that allows for access or conversion of old data by new information systems

Note that upgrades and enhancements should only be capitalized to the extent that they increase the functionality of the product.

Leased Assets

GASB Statement No. 87, Leases, defines a lease as follows:

> A lease is defined as a contract that conveys control of the right to use another entity's nonfinancial asset (the underlying asset) as specified in the contract for a period of time in an exchange or exchange-like transaction. Examples of nonfinancial assets include buildings, land, vehicles, and equipment.

As a lessee, the City shall recognize leased a lease liability and a lease asset at the commencement of the lease term, unless the lease is a short-term lease (with a maximum term, including any possible extensions, of less than 12 months), or the lease transfers ownership of the underlying asset.

Lease Liability. Long-term leased assets shall be recorded as a lease payable and be measured at the present value of the payments expected to be made under the lease term to include the following if required by a lease:

A. Fixed payments
B. Variable payment that depend on an index or rate, e.g., the Consumer Price Index, or a market interest rate, should be measured using the index or rate at the time of the commencement of the

lease

C. Amounts that are reasonably certain of being required to be paid under residual value guarantees
D. The exercise price of a purchase option, of it is reasonably certain that the lessee will exercise the option
E. Payments for penalties for terminating the lease, if the lease term reflects the lessee exercising (1) an option to terminate the lease, or (2) a fiscal funding or cancellation clause
F. Any lease incentive receivable from the lessor
G. Any other payments that are reasonably certain of being required based on an assessment of all relevant factors

Lease Asset. The lease asset shall be measured as the sum of the following:

A. The initial measurement of the lease liability
B. Payments to the lessor at or before the commencement of the lease term, less any lease incentives
C. Initial direct costs that are necessary to place the leased asset into service

Leased property shall be depreciated over the shorter of the lease term or the useful life of the underlying asset. If the lese contains a purchase option that the City believes is reasonably certain of being exercised, the asset shall be depreciated over the useful life of the asset. Non-depreciable leased assets, such as land, shall not be depreciated.

In the governmental funds, which report on a modified accrual basis, capital assets and long-term liabilities are not reported. Rather, when a lease is entered into the government reports an expenditure equal to that present value amount and another financing source - capital lease agreement.

Assets Purchased Using Grant Funds

Assets purchased using grant funds may have restrictions on their use, useful life and disposal, depending on the granting agency. Departments applying for and using grant funds are responsible for understanding and communicating grant rules that may impact the management of the asset, and its accounting treatment. Grant funded assets will be identified within the financial system to ensure that any granting agency restrictions are met.

Capital Asset Useful Life

Estimated useful life values derived from the Internal Revenue Service Alternative Depreciation System (ADS) but adjusted by staff for the needs of the City of Sedona.

Other Improvements

Fencing and gates	20 Years
Landscaping	10 Years
Parking lots, driveways, and parking barriers	20 Years
Outdoor sprinkler and irrigation systems	20 Years
Recreation areas and athletic fields, including bleachers	20 Years
Golf courses	40 Years
Paths and trails	20 Years
Swimming pools, tennis courts, pickleball courts, basketball courts, skate parks	20 Years
Outdoor lighting	20 Years

Building and Building Improvements

Building structure	40 Years
Roof – asphalt shingle	20 Years
Roof – tile	30 Years
Heating, ventilation, and Air Conditioning (HVAC)	20 Years
Electrical systems	30 Years
Plumbing systems	30 Years
Sprinkler systems	20 Years
Security / Fire alarm systems	10 Years
Outdoor lighting	20 Years
Cabling	10 Years
Flooring (other than carpet)	15 Years
Carpeting	10 Years
Interior construction	15 Years
Interior renovation	10 Years
Elevators	20 Years

Equipment, Machinery, and Vehicles

Audio / visual equipment	5 Years
Business machines and office equipment	5 Years
Telecommunications equipment	5 Years
Computer equipment and software	5 Years
Furniture and fixtures (not structural)	10 Years
Landscape / grounds maintenance equipment	8 Years
Kitchen equipment / appliances	10 Years
Lab equipment	10 Years
Law enforcement equipment[1]	5 Years
Machinery, tools, and other equipment	5 Years
Outdoor equipment (playground equipment, scoreboards)	15 Years
Multifunction copiers / printers	8 Years
Cars (excluding patrol vehicles), light trucks (truck weight less than 13,000 lbs.)	8 Years
Heavy trucks and equipment (front loaders, graders, truck weight over 13,000 lbs.)	15 Years
Police vehicles, patrol	3 Years

Infrastructure

Roads, streets, curb and gutter	20 Years
Parking lots	20 Years
Sidewalks and shared use paths	20 Years
Water, sanitary sewer, storm drainage systems	50 Years

[1] The useful life of law enforcement equipment may vary based on the specific equipment and manufacturer recommendations for replacement.

Thresholds and Classification of Costs as Capitalizable

For financial reporting purposes only, the City has established capitalization thresholds for each asset class as follows:

Capital Asset Classification	Capitalization Threshold
Land and land improvements	$1
Land Improvements	$50,000
Other improvements	$50,000
Building and building improvements	$50,000
Machinery and equipment	$10,000
Vehicles	$10,000
Infrastructure	$50,000
Other assets	$50,000
Construction-in-progress	Accumulate all costs and capitalize if over $50,000

Assets Purchased Using Debt

When accounting for capital assets, it is important to consider capital-related debt. Capital assets purchased with debt proceeds are depreciated over their estimated useful life. The capitalization of debt-purchased assets minimizes the potential for negative net assets in the statement of net assets. In most cases, these assets will meet the thresholds and guidelines for recording as a capital asset.

Determining if a cost should be capitalized

A significant issue when recording capital assets is the question of when an expenditure should be capitalized as an improvement, rather than recorded as repairs or maintenance expense. Determining whether to capitalize an expenditure depends on whether the cost incurred (1) significantly extends the asset's useful life, (2) increases its capacity, or (3) improves its efficiency. Therefore, capital asset improvement costs shall be capitalized if:

A. The cost exceeds the capitalization threshold for the type of asset, **and**

B. One of the following criteria is met:

   1) The value of the asset or estimated life is increased by 25% of the original cost or life period,
   2) The cost results in an increase in the capacity of the asset, **or**
   3) The improvements result in an increase in the efficiency of the asset by more than 10%.

If the above criteria are not met, then the cost should be recorded as a repair and maintenance expense.

Accounting for and Reporting Capital Assets

Valuation of Assets

Historical Cost. Capital assets are reported at historical cost, which includes most costs necessary to install a capital asset for its intended use or state of operation. Historical cost records shall include the vendor's invoice, the value of any trade-in or allowance, sales tax, initial installation cost (excluding in-house labor), modifications, attachments, accessories or appurtenances; and ancillary charges such as freight and transportation charges, site preparation costs, and professional fees.

In the event the historical cost of a capital asset is not determinable, it will be necessary to record an estimated historical cost of the asset using alternative methods. Alternative methods include standard costing and normal costing.

Standard Costing. Standard costing estimates the historical cost of a capital asset by establishing the average cost of obtaining the same or a similar asset at the time of acquisition.

Normal Costing. Normal costing estimates historical cost based on the current cost to either reproduce or replace the capital asset, indexed by a reciprocal factor from the estimated acquisition date, e.g., taking the value of acquiring the asset new today and then discounting that amount by an appropriate inflation factor back to the date of acquisition.

Donation of Assets. Capital assets donated to the City shall be reported at fair value. Fair value is the amount at which an asset could be exchanged in a current transfer at arm's length between willing parties, other than in a forced or liquidation sale. Donations are defined as voluntary contributions of resources to the City by a non-governmental entity. A voluntary contribution of resources between governmental entities is not a donation.

Depreciation of Capital Assets

Depreciation is the process of allocating the cost of a tangible asset to the periods of benefit. Capital assets shall be depreciated over their estimated useful life with the following exceptions:

A. Inexhaustible assets, i.e., land, and land improvements that do not require maintenance or replacement, e.g., certain works of art and historical treasures,

B. Infrastructure assets reported using the modified approach, and

C. Construction work-in-progress.

For financial purposes the City will use the straight-line method of depreciation, which allocates the cost evenly over the life of the asset. Generally, at the end of an asset's life, the sum of the amounts charged for depreciation in each accounting period, or accumulated depreciation, will equal the original cost less salvage

value.

Disposal of Capital Assets

The disposal of capital assets shall be coordinated between the department managing the assets and the Financial Services Department to ensure that the asset is properly removed from the accounting system and any salvage value received is recorded.

All assets shall be disposed of according to Arizona Revised States and/or Federal regulations as applicable.

Tracking and Inventory of Capital Assets

The Financial Services Department shall track all capital assets in the Enterprise Resources Planning software or financial system. Any purchase, improvement, transfer, destruction, or plan to dispose of a capital asset shall be communicated to the Financial Services staff to ensure that assets are properly managed and recorded.

Annual Review. Annually, Financial Services shall provide the inventory of capital assets assigned to each department so that the department can verify the assets and their condition.

Internal Audit. A minimum of bi-annually the Financial Services Department shall audit the City's capital assets through physical verification.

Effective Date

This policy shall be effective immediately upon approval by the City Council of the City of Sedona and shall remain in effect until amended or rescinded by the City Council.

Appendix

Reference Links

Links to Governmental Accounting Standards Board (GASB) Statements and Government Finance Officers Association (GFOA) Best Practices:

GASB Statement No. 34, Basic Financial Statements

GASB Statement No. 87, Leases

GFOA Best Practice, Capital Asset Management

GFOA Best Practice, Grants Administration

CITY COUNCIL AGENDA BILL

AB 3202
March 11, 2025
Regular Business

Agenda Item: 8d
Proposed Action & Subject: Discussion/possible action regarding a Customer Construction Agreement for Line Extension, Removal, Relocation, Conversion or Conduit with Arizona Public Service Company for the Forest Road Connection Project and Uptown Parking Garage in the amount of $438,009.33.

Department	PW/Engineering – Bob Welch
Time to Present	10 min.
Total Time for Item	15 min.
Other Council Meetings	October 22, 2019; September 14, 2021; February 22, 2022; April 26, 2022; June 28, 2022; August 09, 2022; July 9,2024; and November 12,2024
Exhibits	A. Customer Construction Agreement (CCA)

Finance Approval	Reviewed 2/25/25 BGW
City Attorney Approval	Reviewed 2/25/25 KWC
City Manager's Recommendation	Recommend approval ABS 2/28/25

Expenditure Required	
	$ 438,009.33
Amount Budgeted	
	$ 13,716,034
Account No. (Description)	22-5320-89-6872, & 48-5320-89-6872 Forest Road Connection (SIM-5B)

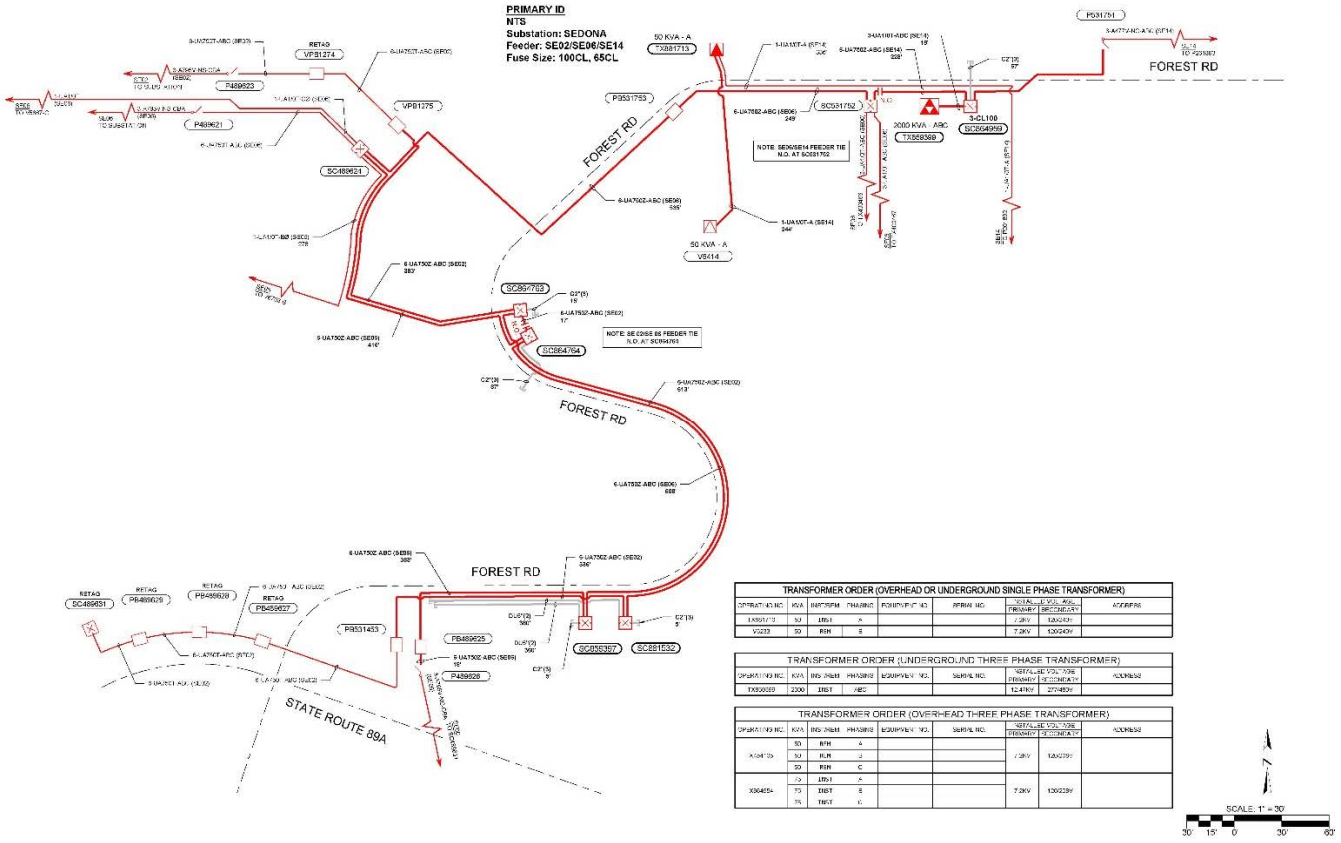
SUMMARY STATEMENT

Background:

Staff are requesting approval of a Customer Construction Agreement (CCA) with Arizona Public Service Company in the amount of $438,009.33 (see attached Exhibit A). The CCA is required for the relocation of APS facilities from a temporary construction location to a permanent location underground and within the new Forest Road Connection Road right-of-way and auxiliary public utility easement. This work was anticipated and included in the project budget.

The work is associated with APS Work Order # WA619101, the Forest Road Connection Project and the Uptown Parking Garage, and includes the removal of approximately 658-feet of temporary overhead electrical power lines necessary to support the roadway construction; removal 1,742-feet of existing electrical underground feeder lines to Uptown Sedona; and

installation of approximately 6,170-feet of new underground electrical feeder lines (6-UA750Z) and four new (4) 3-way APS Switch Cabinets.



Climate Action Plan/Sustainability Consistent: ☒**Yes -** ☐**No -** ☐**Not Applicable**

Sedona in Motion (SIM) strategies included in these projects aim to remove vehicles from our roadways, reduce congestion, and reduce vehicle emissions. This is consistent with the goals of the Climate Action Plan.

Board/Commission Recommendation: ☐**Applicable -** ☒**Not Applicable**

Alternative(s):

The Council could choose not to approve the (CCA) which would preclude the removal of the temporary overhead electrical power lines as well as the installation of new underground electrical power lines to support the Uptown Parking Garage. The new electrical conduits and Switch Cabinet pads placed in Forest Road for the relocation of the temporary power lines would go unused and APS would be unable to support the power requirements of the new Uptown Parking Garage.

MOTION

I move to: approve the Customer Construction Agreement with Arizona Public Service Company, in the amount of $438,009.33.

Docusign Envelope ID: 5B660D8B-B1B1-49B4-BCE8-5768F20B2F4A

☐ Part Refundable and Part Non-Refundable
☐ Refundable
☐ Ref - LOC / Surety Bond
☐ Ref - Rural Municipal Development
☑ Non - Refundable
☐ Applicant Payment Not Required

☐ Revenue
☑ Non - Revenue

APS Work Order # WA619101

CUSTOMER CONSTRUCTION AGREEMENT
PERTAINING TO LINE EXTENSIONS, REMOVALS, RELOCATION, CONVERSION OR CONDUIT
(For the Construction of Electric Distribution Facilities)

The parties to this Agreement are ARIZONA PUBLIC SERVICE COMPANY, an Arizona corporation, hereinafter called "APS," and CITY OF SEDONA

hereinafter called "Applicant." In consideration of the promises and provisions set forth below, the parties to this Agreement agree as follows:

1 CONSTRUCTION

1.1 APS shall: *(Check the applicable for either A, B or C) A=Line Extensions, B=Removals, Relocates, Conversions, C=Conduit Only*
A ☐ construct electric distribution facilities as an extension of its present facilities in order to serve property
B ☑ remove a line ☑ relocate a line ☐ convert a line
C ☐ provide a conduit design, survey and inspection for a conduit distribution extension (conduit only project)
located at FOREST RD EXTENSION, SEDONA, Arizona, in accordance with the attachments set forth in Section 6 to this Agreement and APS's line extension service, "Schedule 3, Revision No. 16: Conditions Governing Extensions of Electric Distribution Lines and Services," hereinafter called "Extension Policy." The terms and conditions of APS's Extension Policy and the attachments described in Section 6 are hereby incorporated in full into this Agreement.

1.2 The earthwork, conduits and materials necessary for construction shall be provided by the parties as follows: Applicant shall provide distribution line and service line earthwork; APS shall provide and Applicant shall install equipment pads, manholes, pull boxes, junction boxes, and associated appurtenances (unless otherwise noted on the sketch); Applicant shall provide and install all conduit(s) (unless otherwise noted on the sketch). Applicant-provided earthwork, conduits, materials, and installation(s) shall be provided in accordance with the attached sketch(es), specifications, and Trenching Agreement - Requirements, and shall be approved by an authorized representative of APS prior to APS commencing the installation of lines and equipment.

1.3 Distribution facilities shall be installed by APS in the location indicated on the attached sketch(es). All suitable easements or rights-of-way required by APS for any portion of the extension which is either on premises owned, leased or otherwise controlled by Applicant, or other property required for the extension, shall be conveyed to APS (in APS's standard Utility Easement form attached hereto) by Applicant without cost to or condemnation by APS and in reasonable time to meet proposed service requirements. Applicant shall provide APS access to these distribution facilities at all times, and shall not block or interfere with said access in any way, including fencing or the placement of obstructions adjacent to and on the door-side of cabinets, transformers, or any other equipment.

1.4 All meters are to be located as shown on the sketch, a copy of which is attached to this Agreement. No variation to the meter locations identified may be made unless approved in writing by an authorized representative of APS.

1.5 Applicant's "on and off" site construction required in support of APS's construction is estimated to begin on 01/01/24 and to be completed on 01/31/25. APS's construction is estimated to begin on 02/03/25 and to be completed on 02/21/25 contingent upon scheduled completion of Applicant's "on and off" site construction in accordance with APS' specifications. The dates of APS's construction are provided only as estimates, are not binding upon APS, and are subject to change to accommodate APS's workload, material requirements, or other factors.

2 PAYMENT

APS will not schedule or begin any construction pursuant to this Agreement until it receives from Applicant a payment of **$438,009.33** DOLLARS, which sum equals the amount required by APS (less any pre-paid amounts) to extend service to Applicant, as authorized by the Extension Policy. Such payment shall include all charges for the facilities (and municipal street lighting facilities, if applicable) required to serve Applicant's project. Such payment is due to APS upon Applicant's execution of this Agreement.

Docusign Envelope ID: 5B660D8B-B1B1-49B4-BCE8-5768F20B2F4A

3 REIMBURSEMENTS

APS shall pay (reimburse) Applicant $ 0 DOLLARS which represents the total reimbursement for items summarized on the Applicant Reimbursement Details attachment which represent work, trenching, excavation, materials, etc. that the Applicant has agreed to furnish. Reimbursement shall be made after completion of the Applicant's work or activities and shall be contingent upon APS' Final Inspection and Approval.

4 REFUNDS *(No Refunds for No Payment Agreement)*

Non-Refundable

Applicant payment may become eligible for refund as provided below. No refund will be made to any applicant for an amount more than the Applicant's payment**.**

4.1 If prior to the start of APS's construction, Applicant notifies APS in writing of Applicant's request to cancel this Agreement, Applicant shall be entitled to receive a refund of the amount paid less all fees and costs incurred by APS associated with the Agreement prior to cancellation.

5 GENERAL PROVISIONS

5.1 This Agreement shall be binding upon and inure to the benefit of the heirs, administrators, executors, or assignees of the parties to this Agreement, provided, however, that no assignment or other transfer of this Agreement shall be binding upon APS or create any rights in Applicant's assignee until such assignment or other transfer is approved and accepted in writing by an authorized representative of APS.

5.2 All electric facilities installed pursuant to this Agreement shall be owned by APS.

5.3 APS may use the installed facilities to serve other customers, and may extend service to other customers from the facilities located within the rights-of-way and easement(s) conveyed to APS pursuant to this Agreement.

5.4 This Agreement does not require APS to construct any line extensions to future customers not included in the attached sketches.

5.5 If Applicant fails to complete its "on and off" site construction requirements in support of APS's construction within six months of the estimated date of completion for said Applicant construction, as set forth in Section 1.5 hereof, APS shall have the right to revise the payment amount required pursuant to Section 2 hereof which Applicant will be required to pay prior to APS proceeding with construction or energizing its facilities.

5.6 If Applicant fails to complete its "on and off" site construction requirements in support of APS's construction within one year of the estimated date of completion for said Applicant construction, as set forth in Section 1.5 hereof, APS shall have the right to cancel this Agreement, and Applicant shall be entitled to receive a refund of the amount paid, less all fees and costs incurred by APS associated with the Agreement prior to cancellation.

5.7 The prevailing party in any proceedings instituted by either party regarding a dispute concerning this Agreement shall be entitled to recover its reasonable attorney's fees, costs, and expenses. *N/A for "Conduit Only Projects"

5.8 If any term or condition of this Agreement is held to be invalid, void, or otherwise unenforceable by any court of competent jurisdiction, that holding shall not affect the validity or enforceability of any other term or condition of this Agreement, unless enforcing the balance of this Agreement would deprive either party of a fundamental benefit of its bargain.

5.9 This Agreement contains the final and complete agreement between the parties for the construction of the line extension described herein and supersedes all prior and contemporaneous conduct, agreements, statements, representations, negotiations, course of conduct, course of dealing, and communications pertaining to the subject matter hereof, whether written or oral. The parties shall not be bound by or be liable for any statement, representation, promise, inducement, or understanding of any kind not set forth in or formally incorporated into this Agreement.

Docusign Envelope ID: 5B660D8B-B1B1-49B4-BCE8-5768F20B2F4A

6 ATTACHMENTS

The provisions, terms, and conditions of each of the following documents, attached to this Agreement, are hereby incorporated in full into this Agreement.

NOTE: Documents marked below are attached

- ☑ Design Sketches
- ☐ Applicant Charges (part-refundable and part non-refundable)
- ☑ Applicant Charges (Non-Refundable)
- ☐ Applicant Charges (Single Family Homes Non-Refundable)
- ☑ Trenching Agreement – Requirements
- ☐ Agreement to Construct Distribution Facilities
- ☐ Applicant Reimbursement Details
- ☐ Utility Easement
- ☑ Invoice
- ☐ Schedule of Charges (Part Refundable and Part Non-Refundable)
- ☐ Schedule of Charges (Non-Refundable)
- ☐ Schedule of Charges (Single Family Homes Non-Refundable)
- ☐ Dusk-to-Dawn Work Order
- ☐ Street Light Details
- ☑ Equipment Details
- ☐ Attachment A Signature Page

7 EFFECTIVE DATE

This Agreement will become effective only upon the execution of this document by duly authorized representatives of the parties and payment by Applicant to APS of the total amount set forth in Section 2, and will be deemed effective as of the date signed by APS.

ARIZONA PUBLIC SERVICE COMPANY

Signature: _____

Name: FRANK SANDERSON

Title: DIRECTOR

Date: _____

Study and Design Agreement Payment
APS Invoice #:
Amount: $
Date Received:

Material Order Agreement Payment
APS Invoice #:
Amount: $
Date Received:

Relocation, Conversion or Removal Agreement Payment
APS Invoice #:
Amount: $
Date Received:

Line Extension Agreement Payment
APS Invoice #:
Amount: $
(including taxes)
Date Received:

Total Amount Paid: $
(including taxes)

Refundable Advance Payment by Alternate Financial Instrument
APS Invoice #:
Type:
Financial Inst:
Amount: $
Date Received:

APPLICANT

Applicant's Name:
CITY OF SEDONA

Applicant's Signature: Signed by: Kurtis Harris C58CF6C697034FE...

Name (Print): Kurtis Harris

Title: PW Director / City Engineer

Date : 2/3/2025 | 4:43:41 PM PST

Mailing Address:
102 ROADRUNNER DR
SEDONA, AZ 86336

Permanent Phone #: 928-282-1154

The individual executing this Agreement on behalf of Applicant represents and warrants: (i) that he or she is authorized to do so on behalf of Applicant; (ii) that he or she has full legal power and authority to bind Applicant in accordance with the terms herein and, if necessary, has obtained all required consents or delegations of such power and authority.

Below is for Municipality Agreements Only

ATTEST:

Signature: _____
Town Clerk

APPROVED AS TO FORM:

Signature: _____
Town Attorney

Docusign Envelope ID: 5B660D8B-B1B1-49B4-BCE8-5768F20B2F4A

aps

Schedule 3, Revision 16
Applicant Charges (Non-Refundable)

APS Representative:
KEVIN BRADY
CUSTOMER PROJECT REPRESENTATIVE SR
4360 E COURY DR
COTTONWOOD, AZ 86326
928-227-7560

DATE: 01/28/25
INVOICE #

Work Order #: WA619101

Service Address and City: FOREST RD EXTENSION, SEDONA
Service Zip Code 86336

Bill To:
CITY OF SEDONA

102 ROADRUNNER DR
SEDONA, AZ 86336
928-282-1154

Description of Work:
CITY OF SEDONA REQUESTS RELOCATION OF APS FACILITIES DUE TO THE FOREST RD EXTENSION PROJECT. APS TO REMOVE ±658' OF 6-A477V SHOE-FLY & ±1,742' OF 6-UA750Z. APS TO INSTALL (4)3WAY SC & ±6,170' OF 6-UA750Z. THE CITY IS RESPONSIBLE FOR THE COSTS AS THE FACILITIES ARE SECURED VIA EASEMENTS THAT PRE-DATE THE PROPOSED ROW.

	DESCRIPTION			AMOUNT
1				
2	**Project Specific Charges (RC965)**			**$ 453,423.72**
5	Project Specific Labor Costs	$	188,475.09	
6	Project Specific Material Costs	$	264,948.63	
7				
8				
9				
10				
11				
12				
13	**Salvage and Material Credits (RC301)**			**$ (15,414.39)**
14	Salvage Scrap Value Credit	$	(15,414.39)	
15				
16				
17				
18				
19				
20				
21				
22				
23				
24				
25				
26				
27				
28				
29				
30		$	-	
31				
32				
33				
38	**TOTAL CHARGES TO APPLICANT (Non-Refundable) (Lines: 1+2+13+18+23+24+27+31+33+34)**			**$438,009.33**
39				
40				
41	**TOTAL DUE AFTER PRE-PAYMENT(S)***			**$438,009.33**

*Additional applicant charges may apply. See invoice for the total amount due.

CITY COUNCIL AGENDA BILL

AB 3192
March 11, 2025
Regular Business

Agenda Item: 8e
Proposed Action & Subject: Discussion/possible action regarding approval of an Ordinance amending Sedona City Code Chapter 5.25 Short Term-Rental (STR) Regulation.

Department	City Clerk/City Attorney, Teresah Arthur/Kurt Christianson
Time to Present	15 Minutes
Total Time for Item	60 Minutes
Other Council Meetings	July 12, 2022; November 22, 2022
Exhibits	A. Ordinance B. 2025 Amendments to SCC Chapter 5.25 STR Regulation

Finance Approval	Reviewed 2/25/25 BGW
City Attorney Approval	Reviewed 2/25/25 KWC
City Manager's Recommendation	Recommend approval ABS 2/28/25

Expenditure Required
$ 0
Amount Budgeted
$ 0
Account No. (Description)

SUMMARY STATEMENT

Background:

From 1995 until 2016, the City of Sedona, by ordinance, prohibited the rental of residential properties for less than thirty (30) days. In May 2016, the legislature passed, and the Governor signed SB 1350, which prohibited cities and towns from banning short-term rentals. In response to concerns from cities and towns in the wake of SB 1350, the Governor signed HB 2672 in May 2019. HB 2672 imposed certain minimal restrictions on STR use. After further pursuit of additional regulatory authority by cities and towns in the 2022 legislative session, the legislature passed and the Governor signed SB 1168, which became effective on September 24, 2022. Although SB 1168 still prohibits cities and towns from banning or limiting STRs, the legislation does give cities and towns limited regulatory authority and fee authority.

At a city council meeting on November 22, 2022, the City Council voted to adopt an amendment to Sedona City Code Chapter 5.25 Short Term Rental Regulation to include the implementation of SB 1168.

The implementation was launched on February 15, 2023, as the short-term rental permitting program.

After two years of use, City staff have identified some amendments to the current ordinance to allow for more effective regulation within the scope of the current law:

5.25.030 Permit required – Renewal.

- A. *Permit Required.* ***Each short-term rental requires its own city-issued short-term rental permit****.* No person shall advertise or operate a short-term rental in the city without a valid annual short-term rental permit issued by the city. ***Renting, offering for rent, booking or hosting guests at*** a short-term rental without complying with the permit requirement in this section is prohibited. In addition to any other penalty imposed pursuant to the city code, any property that operates as a short-term rental and fails to apply for a short-term rental permit in accordance with this section, must cease operations immediately.
- G. *Term of Permit.* All permits issued under this chapter shall be valid for a period of one year from the date of their issuance unless suspended or revoked. It shall be unlawful for any person to operate a short-term rental after the expiration date recorded on the face of the permit. ***Renewed permits shall be valid for one year from the expiration date of the previous permit. Permits renewed late, after the expiration date of the previous shall be subject to penalties, and the start date of the renewed permit shall be dated to the expiration date of the previous permit.***
- H. *Nontransferable.* No permit shall be transferable either as to location or as to a person. ***A new permit is required if the ownership of a business, trust, corporation or a company owning a short-term rental changes. "Ownership" means any right, title or interest in the business, trust, corporation or company. Sale of a short-term rental requires the selling owner to take down all short-term rental advertisements at the time of sale.***

5.25.50 Use Regulations

C. No person or entity shall operate a short-term rental in violation of this chapter or other law. In addition, the use of a short-term rental property for any of the following uses or purposes is strictly prohibited:

- ***2. Holding a special event that requires a permit or license pursuant to city code or state law or rule or advertising a short-term rental property as available to be used for special events including for weddings or wedding receptions*****.**

G. An Accessory Dwelling Unit, as defined in the Sedona Land Development Code, including any guesthouse or casita with a full kitchen, may not be used as a short-term rental unless the owner uses the property as the owner's primary residence.

The full amendments with the red line edits are attached as **Exhibit B**: 2025 Proposed Amendments to SCC Chapter 5.25 Short-Term Rental Regulations.

The proposed amendments do not create a new ordinance, but merely update an existing ordinance, and so, pursuant to SCC 2.25.040, may be adopted at one public meeting.

Timeline

The revisions to this ordinance will be effective April 12, 2025. The city's third-party vendor GovOS has added functionality that supports the amended approach to renewed permits and current software operations support the remaining amendments.

Permit Fees

The annual permit fee was raised to $210 effective January 10, 2025, and published in the City's Consolidated Fee schedule. The adjusted fee reflects the current expense of issuing permits.

Penalties

The city may impose civil penalties on STRs that fail to comply with any requirement outlined in Chapter 5.25 Short-Term Rental Regulation, to include all amendments as of their effective date. The amounts charged for first, second and third penalties will continue, consistent with current practices.

Implementation

As of December 31, 2024, there are 1,211 identified STRs within city limits and 1,201 permitted short-term rentals. (Sedona is at 99% permit compliance).

- The Short-Term Rental Specialist will continue to monitor reporting from the 24/7 short-term rental complaints hotline, routing applicable violations to Code Enforcement for review and possible citation, and watching for repeating patterns of violation.
- The proposed amendments will integrate into the current short-term rental monitoring and permitting program. The STR Specialist will continue to work in partnership with Code Enforcement to provide evidence of non-compliance that could lead to citations and further enforcement actions consistent with amended city code requirements.
- The STR Specialist will continue to provide education and customer service to owners, property managers, residents, and the community, working to further compliance and understanding of the city's short term rental program.

While not an allowable expense under the permit fee calculation, additional Code Enforcement resources will be needed to enforce the various provisions of the amended ordinance, A decision package has been submitted to request additional resources during the FY26 budget process.

Budget

The STR Monitoring & Administration Program was included in the FY26 budget. The submitted FY26 decision package is written to cover the costs of augmenting the enforcement aspect of the current program.

Climate Action Plan/Sustainability Consistent: ☐**Yes -** ☐**No -** ☒**Not Applicable**

Board/Commission Recommendation: ☐**Applicable -** ☒**Not Applicable**

Alternative(s): Not adopt the proposed amendments.

MOTION

I move to: adopt Ordinance No.2025-__, an ordinance of the Mayor and Council of the City of Sedona, Arizona adopting amendments to the Sedona City Code Chapter 5.25 (Short-Term Rental Regulation)**.**

ORDINANCE NO. 2025-___

AN ORDINANCE OF THE CITY OF SEDONA, ARIZONA, DECLARING THE DOCUMENT TITLED "2025 AMENDMENTS TO SEDONA CITY CODE CHAPTER 5.25, SHORT-TERM RENTAL REGULATION" AS A PUBLIC RECORD, ADOPTING THE SAME BY REFERENCE, AND AMENDING THE SEDONA CITY CODE AS SET FORTH THEREIN; PROVIDING FOR PENALTIES, SEVERABILITY, AND REPEAL OF CONFLICTING ORDINANCES; AND ESTABLISHING AN EFFECTIVE DATE.

WHEREAS, the City deems it necessary to adopt certain amendments to Sedona City Code Chapter 5.25 Short-Term Rental Regulation in the best interests of the public.

BE IT ORDAINED BY THE MAYOR AND CITY COUNCIL OF THE CITY OF SEDONA, ARIZONA, as follows:

Section 1. Adoption. That certain document titled the "2025 Amendments to Sedona City Code Chapter 5.25, Short-Term Rental Regulation" ("SCC STR Regulation Amendment"), of which one paper copy and one electronic copy are maintained, in compliance with A.R.S. § 44-701, on file in the office of the City Clerk as required by A.R.S. § 9-802, and available for public use and inspection during normal business hours, is hereby declared to be a public record and said copies thereof are hereby ordered to remain on file with the City Clerk. The Sedona City Code Chapter 5.25, Short-Term Rental Regulation, Sections 5.25.030 (Permit Required - Renewal), 5.25.050 (Use Regulations), and 5.25.120 (Penalties) is hereby amended as set forth in the SCC STR Regulation Amendment, which is hereby referred to, adopted, and made a part hereof as if fully set forth herein.

Section 2. Severability. If any section, subsection, sentence, clause, phrase, or portion of this ordinance or any part of the SCC STR Regulation Amendment adopted herein is for any reason held to be invalid or unconstitutional by a court of competent jurisdiction, such decision shall not affect the validity of the remaining portions thereof.

Section 3. Repeal. All other Code provisions, ordinances, parts of ordinances in conflict with the provisions of this ordinance, are hereby repealed to the extent of such conflict as of the effective date hereof.

Section 4. Penalties.

A. Any violation, or causing, permitting, facilitating, aiding, or abetting any violation of any provision of this chapter, or failure to comply with this chapter, is punishable as a misdemeanor, and shall also constitute a civil offense as set forth in SCC 1.15.010. Any person who admits to, or is found responsible for, a civil or criminal offense pursuant to this chapter shall be subject to a penalty in the minimum amount of $500.00.

B. The remedies in this chapter are cumulative and the city may proceed under one or more such remedies.

C. Verified Violation Penalties. In addition to any other penalty imposed pursuant to the city code, and notwithstanding any other law, the city may impose a civil penalty of the following amounts against an owner if the owner or owner's designee causes, allows, facilitates, aides, or abets a verified violation of any provision of this chapter or fails to perform any act or duty required by this chapter, related to the same short-term rental property within the same 12-month period:

    1. Up to $500.00 or up to an amount equal to one night's rent for the short-term rental as advertised, whichever is greater, for the first violation.

    2. Up to $1,000 or up to an amount equal to two nights' rent for the short-term rental as advertised, whichever is greater, for the second violation.

    3. Up to $3,500 or up to an amount equal to three nights' rent for the short-term rental as advertised, whichever is greater, for a third and any subsequent violation.

If multiple violations arise out of the same response to an incident at a short-term rental, those violations

are considered one violation for the purpose of assessing civil penalties pursuant to this subsection.

D. In addition to any penalty imposed pursuant to this chapter, the city may impose a civil penalty of up to $1,000 per month against the owner or owner's designee if the owner or owner's designee fails to apply for a short-term rental permit within 30 days of receiving written notice of such requirement. Representations or advertisements including online listings that reference the short-term rental property, house or dwelling unit location within the city is prima facie evidence that a short-term rental is operating in the city.

E. In addition to any other penalty pursuant to the city code, an owner or owner's designee shall be subject to civil penalties of up to $1,000 for every 30 days the owner or owner's designee fails to provide emergency point of contact information to the city as required per SCC 5.25.040. Before imposing the initial civil penalty, the city shall provide 30 days' notice to the owner or owner's designee by emailing a notice of violation to the email address that was provided to the city.

F. In addition to any other penalty pursuant to city code, an online lodging marketplace shall be subject to civil penalties of up to $2,500 for every day that the online lodging marketplace fails to remove a short-term rental advertisement from the online lodging marketplace's website after requested by the owner.

G. A civil penalty assessed pursuant to this section shall be due within 30 days of the initial notice sent to the owner or owner's designee. For purposes of this section, notice may be served on the owner or owner's designee per SCC 1.15.010(D)(2)(e) or by email. Service of the notice will be deemed complete upon posting of and mailing to the address of the short-term rental or emergency point of contact, email, or receipt of personal service on the owner or owner's designee.

H. The amount of the permit fee and any penalty imposed by the provisions of this chapter shall be deemed a debt to the city. An action may be commenced in the name of the city in any court of competent jurisdiction for the amount of any delinquent permit fee and penalties.

Section 5. Effective Date. The effective date of this Ordinance shall be 30 days following adoption by the City Council.

PASSED AND ADOPTED by the Mayor and Council of the City of Sedona, Arizona, this _____ day of _____, 2025.

_____
Scott M. Jablow, Mayor

ATTEST:

_____
JoAnne Cook, CMC, City Clerk

APPROVED AS TO FORM:

_____
Kurt W. Christianson, City Attorney

Chapter 5.25
SHORT-TERM RENTAL REGULATION

Sections:

5.25.010 Purpose – Administration – Enforcement.
5.25.020 Definitions.
5.25.030 Permit required – Renewal.
5.25.040 Emergency contact.
5.25.050 Use regulations.
5.25.060 Neighbor notification required.
5.25.070 Advertisement requirements.
5.25.080 Posting on the property required.
5.25.090 Insurance required.
5.25.100 Background checks required.
5.25.110 Permit suspensions.
5.25.120 Penalties.
5.25.130 Appeals.
5.25.140 Judicial relief.

[Code 2006 § 8-4-1].

5.25.010 Purpose – Administration – Enforcement.

A. The city of Sedona is committed to maintaining its small-town character, scenic beauty, and natural resources that are the foundation of its economic strength and quality of life. This chapter is adopted to protect the public peace, health, safety, and welfare of the city’s residents and visitors by enacting reasonable regulations of short-term rentals consistent with A.R.S. Section 9-500.39 and to help mitigate harmful abuses associated with short-term rentals. Such reasonable regulations include requiring:

1. Permitting of short-term rentals;

2. Compliance with zoning, safety, and nuisance standards;

3. Disclosure of contact information of the property owner or owner's designee responsible for responding to complaints, incidents, and emergencies associated with a short-term rental;

4. Notification to neighboring properties that a property will be used as a short-term rental;

5. Prohibition of the use of short-term rentals for illegal and harmful purposes; and

6. Implementation of an administrative process to suspend short-term rental permits and reasonable civil penalties for the misuse of short-term rentals.

B. It is the responsibility of the short-term rental specialist to administer the provisions of this chapter, including the issuance, denial, and suspension of licenses. Pursuant to these responsibilities, the short-term rental specialist has the authority to create rules, regulations, and policies consistent with the purpose of this chapter and to develop the necessary forms and database to implement this chapter. The Sedona police department, code compliance, and any other city department, division, or official designated by the city manager is authorized to enforce the provisions of this chapter. [Code 2006 § 8-4-2. Ord. 2008-01, 1-22-2008; Ord. 2016-06 § 1, 10-11-2016; Res. 2016-29 Exh. A, 10-11-2016; Ord. 2016-12 § 1, 12-13-2016; Res. 2016-37 Exh. A, 12-13-2016; Ord. 2018-02 § 1, 1-9-2018; Res. 2018-02 Exh. A, 1-9-2018; Ord. 2018-09 § 1, 5-22-2018; Res. 2018-15 Exh. A, 5-22-2018; Ord. 2019-08 § 1, 11-26-2019 (Res. 2019-22); Res. 2019-22 Exh. A, 11-26-2019; Ord. 2022-11 § 1, 11-22-2022; Res. 2022-36 Exh. A, 11-22-2022. Formerly 5.25.020].

5.25.020 Definitions.

The terms of this chapter have the below meanings, whether or not the term is capitalized, unless the context requires otherwise. Words in the present tense include the future tense, words in the plural number include the singular number, and words in the singular number

include the plural number. The term “including” means “including but not limited to” or “including without limitation.” The term “shall” means a requirement or mandate. All references to laws or regulations mean such laws and regulations as amended or replaced. Definitions set forth in this section apply only to this chapter and do not affect and are not to be applied to any other chapter of the Sedona City Code.

“Advertisement” means any method of soliciting the use of property for short-term rental purposes.

“Applicant” means the owner or owner’s designee who applies with the city for a permit or renewal of a permit.

“City code” means the Sedona City Code and the Sedona Land Development Code.

“Days” shall mean calendar days unless stated otherwise.

“Emergency point of contact” means the owner or individual designated by the owner to: (1) serve as the local 24-hour emergency point of contact for the short-term rental; and (2) respond to complaints and emergencies relating to the short-term rental in a timely manner as required by this chapter.

“Guest” means a person who makes transient use of a short-term rental. For the purposes of this chapter, any person who makes payment for the use of a short-term rental, any person identified on the rental agreement for a short-term rental, any person who sleeps or plans to sleep overnight in a short-term rental, and any person present in a short-term rental after 10:00 p.m. are each presumed to be a guest of that short-term rental.

“Neighbor notification” means the written notice provided by the owner to each single-family residential property adjacent to the short-term rental property, directly across from the short-term rental property, and diagonally across the street of the short-term rental property that includes the valid permit number issued by the city, the physical address of the short-term rental, and the name, address, and 24-hour telephone number of the emergency point of contact.

“Nonresidential use” means any use that is not permitted in a residential zoning district pursuant to the Sedona Land Development Code and any use for which an entrant or guest pays an entrance fee.

“Online lodging marketplace” has the same meaning prescribed in A.R.S. Section 42-5076.

“Owner” means the owner of a short-term rental or, in the case of a short-term rental owned by a business entity, the natural persons legally authorized to execute contracts on behalf of that business entity.

“Owner’s designee” means an agent or representative of the owner, such as a landlord, statutory agent, or property manager, or other designee acting on behalf of the owner, who controls or otherwise regulates the occupancy or use of the short-term rental.

“Permit” or “short-term rental permit” means authorization from the city to operate a short-term rental as set forth in SCC 5.25.030.

“Person” means an individual, public entity, firm, corporation, partnership, limited liability company, trust, association, or any other business entity or juridical person, whether operating on a for-profit or nonprofit basis.

“Short-term rental” or “vacation rental” means any individually or collectively owned single-family or one- to four-family house or dwelling unit, or any unit or group of units in a condominium or cooperative that is also a transient public lodging establishment or owner-occupied residential home offered for transient use if the accommodations are not classified for property taxation under A.R.S. Section 42-12001. “Vacation rental” and “short-term rental” do not include a dwelling unit that is used for any nonresidential use, including for a special event that would otherwise require a permit or license pursuant to a city or town ordinance or a state law or rule or for a retail, restaurant, banquet space or other similar use.

“Special event” has the same meaning given to it in the Sedona Land Development Code.

“Timely manner” means:

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1. Within one hour of the initiation of contact with the emergency point of contact regarding a complaint, incident, or emergency associated with a short-term rental for which public safety personnel are dispatched; and

2. Within 24 hours of the initiation of contact with the emergency point of contact regarding all other complaints, incidents, and emergencies associated with a short-term rental. “Initiation of contact” means the first actual contact or documented attempt to contact, such as leaving a voicemail or sending an email to the designated emergency point of contact.

“Transaction privilege tax license” is the license issued by the state of Arizona pursuant to A.R.S. Title 42.

“Transient” means any person who either at the person’s own expense or at the expense of another obtains lodging space or the use of lodging space on a daily or weekly basis, or any other basis for less than 30 consecutive days.

“Transient lodging” means the business of operating for occupancy by transients a hotel or motel, including an inn, tourist home or house, dude ranch, resort, campground, studio or bachelor hotel, lodging house, rooming house, apartment house, dormitory, public or private club, mobile home or house trailer at a fixed location, or other similar structure, and also including a space, lot, or slab that is occupied or intended or designed for occupancy by transients in a mobile home or trailer furnished by them for such occupancy. Transient lodging does not include those exceptions identified in A.R.S. Section 42-5070(B).

“Verified violation” means a finding of guilt or civil responsibility for violating any state law or local ordinance relating to a purpose prescribed in A.R.S. Section 9-500.39(B) or 9-500.39(K) that has been finally adjudicated. [Code 2006 § 8-4-3. Ord. 2008-01, 1-22-2008; Ord. 2016-06 § 1, 10-11-2016; Res. 2016-29 Exh. A, 10-11-2016; Ord. 2016-12 § 1, 12-13-2016; Res. 2016-37 Exh. A, 12-13-2016; Ord. 2018-02 § 1, 1-9-2018; Res. 2018-02 Exh. A, 1-9-2018; Ord. 2018-09 § 1, 5-22-2018; Res. 2018-15 Exh. A, 5-22-2018; Ord. 2019-08 § 1, 11-26-2019 (Res. 2019-22); Res. 2019-22 Exh. A, 11-26-2019; Ord. 2022-11 § 1, 11-22-2022; Res. 2022-36 Exh. A, 11-22-2022. Formerly 5.25.030].

5.25.030 Permit required – Renewal.

A. *Permit Required.* ~~Effective on February 15, 2023, no~~Each short-term rental unit requires its own city-issued short-term rental permit. No person shall advertise or operate a short-term rental in the city without a valid annual short-term rental permit issued by the city. Renting, ~~or~~ offering for rent, booking for rent, or hosting of guests~~,~~ at a short-term rental without complying with the permit requirement in this section is prohibited. In addition to any other penalty imposed pursuant to the city code, any property that operates as a short-term rental and fails to apply for a short-term rental permit in accordance with this section, must cease operations immediately.

B. *Permit Applications.* The owner or the owner's designee of a proposed short-term rental shall submit to the city a permit application on a form furnished by the city. The permit application shall be signed by the applicant and shall contain the following minimum information, which shall be made publicly available:

1. The physical address of the short-term rental.

2. The name and contact information of the owner (address, email address, and telephone number). If the property owner is an entity, the legal name of the entity and name and contact information (address, email address, and telephone number) of its statutory agent.

3. The name and contact information (address, email address, and telephone number) of the owner's designee, if any. The owner shall certify that the owner's designee is authorized to act upon the owner's behalf.

4. The name and contact information (address, email address, and telephone number) of the emergency point of contact.

5. Proof of a valid transaction privilege tax license for the short-term rental.

6. Acknowledgment by the owner of an agreement to comply with all applicable laws, regulations, and ordinances, including compliance with neighbor notification, evidence of

liability insurance, and the requirement that the owner and each designee shall not be a registered sex offender.

C. *Permit Fee.* Every application, including any renewal application, for a short-term rental permit under this chapter shall be accompanied by payment of a nonrefundable fee prescribed in the city's then-current consolidated fee schedule.

D. *Permit Denial.* The city may deny issuance of a new short-term rental permit or renewal permit for any of the following reasons:

1. Failure to provide the information required under subsection (B) of this section;

2. Failure to pay the permit fee required under subsection (C) of this section;

3. The applicant provides false information;

4. The owner or designee of the owner:

   a. Is a registered sex offender;

   b. Has been convicted of any felony act that resulted in death or serious physical injury; or

   c. Has been convicted of any felony use of a deadly weapon within five years of submitting the application; or

5. At the time of application, the owner has a suspended permit for the same short-term rental or any of the following applies: (a) one violation at the short-term rental that resulted in or constituted any of the offenses described in SCC 5.25.110(A)(2); or (b) three violations of this chapter at a short-term rental within a 12-month period, not including an aesthetic, solid waste disposal or vehicle parking violation that is not also a serious threat to public health and safety.

E. *Notice of Denial – Appeal.* The city manager or designee shall give notice of the denial of an application to the applicant by emailing the notice to applicant at the email address listed on

the application. The notice of the denial shall inform the applicant of the right to appeal the denial as provided for in SCC 5.25.130.

F. *Maintaining Accurate Information – Violations.* All applicants and persons holding permits issued pursuant to this chapter shall give prior written notice to the short-term rental specialist of any change in information submitted in connection with an application for a permit or renewal of a permit. The notice shall be provided to the short-term rental specialist within 10 days of the effective date of the change.

G. *Term of Permit.* All permits issued under this chapter shall be valid for a period of one year from the date of their issuance unless suspended or revoked. It shall be unlawful for any person to operate a short-term rental after the expiration date recorded upon the face of the permit. Renewed permits shall be valid one year from the expiration date of the previous permit. Permits renewed late, after the expiration date of the previous permit shall received shall be subject to penalties, and the start date of the renewed permit shall be dated to the expiration date of the previous permit.

H. *Nontransferable.* No permit shall be transferable either as to location or as to person. A new permit is required if the ownership of a business, trust, corporation, or company owning a short-term rental changes. “Ownership" means any right, title or interest in the business, trust, corporation, or company. Sale of a short-term rental property requires the selling owner to take down all short-term rental advertisements at the time of sale.

I. If the owner has received notice of violation of this chapter, any law or regulation, including disciplinary action against the permit, the application for renewal shall include a copy of the notice or disciplinary action.

J. A permit may not be renewed if there are causes for denial, suspension, revocation or other permitting sanctions as provided in this chapter.

K. Unless otherwise provided by law, the city may use any information obtained from a permit application for any lawful purpose including communicating information related to public health and safety, providing reminders regarding compliance with laws, and general city updates. [Ord. 2022-11 § 1, 11-22-2022; Res. 2022-36 Exh. A, 11-22-2022].

5.25.040 Emergency contact.

A. *Emergency Responses – Violations.* When requested by a police officer, emergency point of contact must affirmatively respond to complaints in person, by telephone, or by email within 60 minutes of the initiation of contact and assist to resolve the complaint. Failure of the emergency point of contact to respond in a timely manner is a violation of this chapter and the owner shall be deemed responsible for such violation.

B. *Non-emergency Responses – Violations.* The emergency point of contact shall respond to all other complaints relating to the short-term rental in person, by telephone, by email within 24 hours of the initiation of contact and assist to resolve the complaint. Failure of the emergency point of contact to respond in a timely manner is a violation of this chapter and the owner shall be deemed responsible for such violation.

C. *Maintaining Accurate Emergency Information.* All applicants and persons holding permits issued pursuant to this chapter shall give prior written notice to the short-term rental specialist of any change to the contact information provided to the city for the emergency point of contact. The notice shall be provided to the short-term rental specialist within 10 days of the effective date of the change. [Code 2006 § 8-4-5. Ord. 2008-01, 1-22-2008; Ord. 2016-06 § 1, 10-11-2016; Res. 2016-29 Exh. A, 10-11-2016; Ord. 2016-12 § 1, 12-13-2016; Res. 2016-37 Exh. A, 12-13-2016; Ord. 2018-02 § 1, 1-9-2018; Res. 2018-02 Exh. A, 1-9-2018; Ord. 2018-09 § 1, 5-22-2018; Res. 2018-15 Exh. A, 5-22-2018; Ord. 2019-08 § 1, 11-26-2019 (Res. 2019-22); Res. 2019-22 Exh. A, 11-26-2019; Ord. 2022-11 § 1, 11-22-2022; Res. 2022-36 Exh. A, 11-22-2022. Formerly 5.25.050].

5.25.050 Use regulations.

A. The Sedona Land Development Code district regulations shall be applied to a short-term rental, vacation rental, or transient lodging establishment in the same manner as other property classified under A.R.S. Sections 42-12003 and 42-12004 except as permitted by state law. The use of any short-term rental, vacation rental, or transient lodging establishment in any single-family residential district shall be limited to the uses identified in the Sedona Land Development Code for that particular zoning district.

B. A short-term rental shall comply with federal, state, and local laws, including laws relating to public health and safety, sanitation, solid waste, hazardous waste, tax privilege licensing, property tax registration, traffic control, pollution control, noise, property maintenance, and nuisance abatement.

C. No person or entity shall operate a short-term rental in violation of this chapter or other law. In addition, the use of a short-term rental property for any of the following uses or purposes is strictly prohibited:

1. Any nonresidential use including operating a retail business, restaurant, event center, banquet hall or similar use or any other use prohibited by A.R.S. Section 9-500.39 or the city code.

2. Holding a special event that requires a permit or license pursuant to city code or state law or rule or~~.~~ ~~Advertisement~~advertising ~~of~~ a short-term rental property as available to be used for special events~~an event venue~~, including for weddings or wedding receptions~~, is a violation of this chapter and the owner shall be deemed responsible for such violations~~.

3. Housing sex offenders.

4. Operating or maintaining a sober living home.

5. Selling or offering for sale, consideration, or entrance fee, liquor or illegal drugs.

6. Obscenity, operating an adult-oriented business, nude or topless dancing, or commercial display or production of pornography.

7. Any use that constitutes a substantial disturbance of the quiet enjoyment, and peace, health, safety or general welfare of private or public property through a nuisance party or unruly gathering, including, but not limited to, excessive noise or traffic, obstruction of public streets by crowds or vehicles, the service of alcohol to minors, fights, disturbances of the peace, litter, spirituous liquor served to, or in the possession of, or consumed by any minor, or where illegal drugs are in the possession of, or consumed by, any person.

D. A short-term rental lacking a valid transaction privilege tax license issued by the state of Arizona shall not be rented or offered for rent.

E. *Health, Safety, and Sanitation.* To protect the health, safety, and general welfare of all short-term rental occupants, short-term rentals must meet the minimum standards for habitable structures set forth in the city code. The city may require inspection if it has a reason for concern that the short-term rental may not be compliant with the city code.

F. The failure of any owner's designee to comply with this chapter shall not relieve the owner of liability under this chapter.

G. An Accessory Dwelling Unit, as defined in the Sedona Land Development Code, including any guesthouse or casita with a full kitchen, may not be used as a short-term rental unless the owner uses the property as the owner's primary residence.

5.25.060 Neighbor notification required.

A. *Neighbor Notification.* Prior to offering a short-term rental for rent or renting a short-term rental, the owner or designee shall provide neighbor notification to each single-family residential property adjacent to the short-term rental property, directly across from the short-term rental property, and diagonally across the street of the short-term rental property. The neighbor notification shall be provided in writing by certified mail, return receipt requested or hand delivered in the form required by the city and shall include the following minimum information:

1. The short-term rental permit number issued by the city;

2. The short-term rental address; and

3. The name, physical address, email address, and 24-hour telephone number of the emergency point of contact.

B. *Additional Neighbor Notification Required.* Any change to the information provided under subsection (A) of this section shall require additional neighbor notification by the owner or designee within five calendar days of each change. The additional notification shall be provided in the manner required by subsection (A) of this section.

C. *Attestation.* Prior to offering a short-term rental for rent, the owner or designee shall provide to the city an attestation of compliance with the neighbor notification required by this section that includes the address of each property notified and manner of notification. [Ord. 2022-11 § 1, 11-22-2022; Res. 2022-36 Exh. A, 11-22-2022].

5.25.070 Advertisement requirements.

A. *Required Disclosure.* To protect the peace, health, safety, and general welfare of the city’s residents and visitors, the owner or owner’s designee shall be responsible for displaying the permit number issued by the city on each advertisement for such short-term rental. [Ord. 2022-11 § 1, 11-22-2022; Res. 2022-36 Exh. A, 11-22-2022].

5.25.080 Posting on the property required.

The following notice or other form provided by the short-term rental specialist must be completed in 14-point or larger bold font, on a laminated or otherwise similarly shielded paper, and prominently displayed on conspicuous location within 10 feet of the primary entrance. The notice shall include information regarding the location of any fire or life safety equipment such as fire extinguishers, and the city of Sedona noise and waste disposal regulations.

NOTICE

USE OF THIS PROPERTY FOR ANY OF THE FOLLOWING PURPOSES IS PROHIBITED; VIOLATORS MAY BE SUBJECT TO SUBSTANTIAL PENALTIES:

1. Any nonresidential use including operating a retail business, restaurant, event center, banquet hall or similar use or any other use prohibited by A.R.S. § 9-500.39 or the city code.

2. Holding a special event that requires a permit or license pursuant to city code or state law or rule.

3. Housing sex offenders.

4. Operating or maintaining a sober living home.

5. Selling or offering for sale, consideration, or entrance fee, liquor or illegal drugs.

6. Obscenity, operating an adult-oriented business, nude or topless dancing, or commercial display or production of pornography.

7. Any use that constitutes a substantial disturbance of the quiet enjoyment, and peace, health, safety or general welfare of private or public property through a nuisance party or unruly gathering, including, but not limited to, excessive noise or traffic, obstruction of public streets by crowds or vehicles, the service of alcohol to minors, fights, disturbances of the peace, litter, spirituous liquor served to, or in the possession of, or consumed by any minor, or where illegal drugs are in the possession of, or consumed by, any person.

Your local emergency point of contact person's name is _____ and can be reached by phone 24 hours a day, seven days a week, at _____.

City of Sedona Short-Term Rental Permit # _____.

[Ord. 2022-11 § 1, 11-22-2022; Res. 2022-36 Exh. A, 11-22-2022].

5.25.090 Insurance required.

A. *Required Insurance.* The owner, owner's designee, or the online lodging marketplace platform shall maintain liability insurance appropriate to cover the short-term rental in the aggregate of at least $500,000.

B. *Proof of Insurance.* Proof of the required liability insurance coverage shall be provided to the city upon a request by the city within 10 calendar days of a request from the city. [Ord. 2022-11 § 1, 11-22-2022; Res. 2022-36 Exh. A, 11-22-2022].

5.25.100 Background checks required.

A. No sex offender shall be permitted to rent or occupy the short-term rental. Owners who allow a sex offender at the short-term rental shall be found in violation of this section.

B. At least 24 hours prior to a guest's check-in, the owner or owner's designee shall conduct a sex offender background check on the booking guest; provided, however, that this requirement may be satisfied by the owner providing evidence that the online lodging marketplace on which the short-term rental is booked conducted a sex offender background check of the booking guest. The owner shall demonstrate compliance with this requirement by retaining a full copy of each background check for a minimum of 12 months after the booking date and providing the copy to the city upon a request.

C. The failure of an online lodging marketplace to conduct a background check shall not relieve the owner of liability under this section. [Ord. 2022-11 § 1, 11-22-2022; Res. 2022-36 Exh. A, 11-22-2022].

5.25.110 Permit suspensions.

A. *Permit Suspensions.* The short-term rental specialist shall suspend a short-term rental permit for up to 12 months for any of the following reasons:

1. Three verified violations of this chapter within a 12-month period, not including any such violation based on an aesthetic, solid waste disposal or vehicle parking violation that is not also a serious threat to public health and safety.

2. One verified violation that results in or constitutes any of the following:

a. A felony offense committed at or in the vicinity of a short-term rental by the owner of the short-term rental or by the owner's designee;

b. A serious physical injury or wrongful death at or related to a short-term rental resulting from the knowing, intentional or reckless conduct of the owner or the owner's designee;

c. The owner or the owner's designee knowingly or intentionally housing a sex offender, allowing offenses related to adult-oriented businesses, sexual offenses, or prostitution, or operating or maintaining a sober living home; or

d. The owner or the owner's designee knowingly or intentionally allowing the use of a short-term rental for a special event that would otherwise require a permit or license pursuant to the city code or a state law or rule or for a retail, restaurant, banquet space or other similar use.

B. *Permit Suspension Process.* The short-term rental specialist shall give written notice to the owner or owner's designee of the violation that may result in the suspension of the permit. The notice must include a description of the violation, the statutory or code reference, notification that a hearing may be requested within 15 days of service of notice, and a warning that failure to timely request a hearing in writing within 15 days may result in suspension of the short-term rental permit. The notice may be served on the owner or owner's designee per SCC 1.15.010(D)(2)(e) or by email. Service of the notice will be deemed complete upon posting of and mailing to the address of the short-term rental or emergency point of contact, email, or receipt of personal service on the owner or owner's designee.

C. *Appeals.* A decision to suspend a permit may be appealed by the owner as set forth in SCC 5.25.130.

D. *Reapplication After Denial or Revocation.* No owner or owner's designee who has had a permit denied or revoked pursuant to this chapter may apply for another permit for one year after the decision or appeal affecting the applicant's permit has become final. The short-term rental specialist may reduce in whole or in part the one-year period, if the denial was based on a good faith failure to provide complete information; provided, that the applicant is now in compliance

with this chapter and has paid all required fees and penalties. [Ord. 2022-11 § 1, 11-22-2022; Res. 2022-36 Exh. A, 11-22-2022].

5.25.120 Penalties.

A. Any violation, or causing, permitting, facilitating, aiding, or abetting any violation of any provision of this chapter, or failure to comply with this chapter, is punishable as a misdemeanor, and shall also constitute a civil offense as set forth in SCC 1.15.010. Any person who admits to, or is found responsible for, a civil or criminal offense pursuant to this chapter shall be subject to a penalty in the minimum amount of $500.00.

B. The remedies in this chapter are cumulative and the city may proceed under one or more such remedies.

C. *Verified Violation Penalties.* In addition to any other penalty imposed pursuant to the city code, and notwithstanding any other law, the city may impose a civil penalty of the following amounts against an owner if the owner or owner's designee causes, allows, facilitates, aides, or abets a verified violation of any provision of this chapter or fails to perform any act or duty required by this chapter, related to the same short-term rental property within the same 12-month period:

1. Up to $500.00 or up to an amount equal to one night's rent for the short-term rental as advertised, whichever is greater, for the first violation.

2. Up to $1,000 or up to an amount equal to two nights' rent for the short-term rental as advertised, whichever is greater, for the second violation.

3. Up to $3,500 or up to an amount equal to three nights' rent for the short-term rental as advertised, whichever is greater, for a third and any subsequent violation.

If multiple violations arise out of the same response to an incident at a short-term rental, those violations are considered one violation for the purpose of assessing civil penalties pursuant to this subsection.

D. In addition to any penalty imposed pursuant to this chapter, the city may impose a civil penalty of up to $1,000 per month against the owner or owner's designee if the owner or owner's designee fails to apply for a short-term rental permit within 30 days of receiving written notice of such requirement. Representations or advertisements including online listings that reference the short-term rental property, house or dwelling unit location within the city is prima facie evidence that a short-term rental is operating in the city.

E. In addition to any other penalty pursuant to the city code, an owner or owner's designee shall be subject to civil penalties of up to $1,000 for every 30 days the owner or owner's designee fails to provide emergency point of contact information to the city as required per SCC 5.25.040. Before imposing the initial civil penalty, the city shall provide 30 days' notice to the owner or owner's designee by emailing a notice of violation to the email address that was provided to the city.

F. In addition to any other penalty pursuant to city code, an online lodging marketplace shall be subject to civil penalties of up to $2,500 for every day that the online lodging marketplace fails to remove a short-term rental advertisement from the online lodging marketplace's website after requested by the owner. –

G. A civil penalty assessed pursuant to this section shall be due within 30 days of the initial notice sent to the owner or owner's designee. For purposes of this section, notice may be served on the owner or owner's designee per SCC 1.15.010(D)(2)(e) or by email. Service of the notice will be deemed complete upon posting of and mailing to the address of the short-term rental or emergency point of contact, email, or receipt of personal service on the owner or owner's designee.

~~G~~H. The amount of the permit fee and any penalty imposed by the provisions of this chapter shall be deemed a debt to the city. An action may be commenced in the name of the city in any court of competent jurisdiction for the amount of any delinquent permit fee and penalties. [Ord. 2019-08 § 1, 11-26-2019 (Res. 2019-22); Res. 2019-22 Exh. A, 11-26-2019; Ord. 2022-11 § 1, 11-22-2022; Res. 2022-36 Exh. A, 11-22-2022. Formerly 5.25.060].

5.25.130 Appeals.

A. Any person aggrieved by any decision with respect to the denial of or a refusal to issue a short-term rental permit or the suspension of a short-term rental permit may appeal the decision by filing a written notice of appeal requesting a hearing with the short-term rental specialist no later than 15 days from the date of the decision letter. The notice of appeal shall be on a form approved by the city.

B. This section is not applicable to any penalty including fines imposed by a court or for actions brought pursuant to SCC 5.25.140.

C. An appeal under this section does not operate as a stay of the permit suspension.

D. If the owner or owner’s designee timely requests a hearing, the city shall schedule a hearing date before a civil hearing officer within 30 days of receipt of the request and give written notice to the owner or owner’s designee of the scheduled date.

1. The hearing shall be held during regular city business hours.

2. All proceedings before the hearing officer shall be informal and without a jury, except that testimony shall be given under oath or affirmation. The rules of evidence do not apply, except for statutory provisions relating to privileged communications, and the hearing officer may permit any evidence deemed relevant to the issues at hand to be admitted. No prehearing discovery shall be permitted, except under extraordinary circumstances as determined by the hearing officer. The city is required to prove violations of this chapter by a preponderance of the evidence.

3. The hearing officer is authorized to make such orders as may be necessary or appropriate to fairly and efficiently determine the truth and decide the case at hand.

4. The hearing may be continued one time by the hearing officer upon the written request of either party for good cause.

5. The owner and the city shall each be given an opportunity to present their respective cases. The city shall present its case first and each presentation may include:

a. Sworn testimony;

b. Submission of evidence;

c. Presentation of witnesses;

d. Cross-examination;

e. Opening and closing statements.

The owner and city shall each be limited to two hours for testimony, presentation, cross-examination and statements unless the hearing officer, for good cause shown, extends the time.

6. The hearing officer shall render a written decision within 30 days of the close of the hearing.

7. If the owner or owner’s designee fails to appear at the scheduled hearing, the hearing officer shall enter an order in favor of the city.

8. The hearing officer’s order shall be mailed to the owner or owner’s designee by certified, return receipt requested mail.

9. The hearing shall be recorded by an electronic recording device.

E. Any final suspension shall be for a period of one year, except that a hearing officer may reduce the suspension period to a period of six months upon a finding that the owner has made reasonable attempts to prevent nuisance activities and violations from occurring at the short-term rental. [Ord. 2022-11 § 1, 11-22-2022; Res. 2022-36 Exh. A, 11-22-2022].

5.25.140 Judicial relief.

A. Notwithstanding SCC 5.25.130, any attempted or completed felony act, arising from the occupancy or use of a short-term rental that results in a death, or actual or attempted serious

physical injury, shall be grounds for judicial relief in the form of a suspension of the property’s use as a short-term rental for a period that shall not exceed 12 months.

B. The city attorney may initiate proceedings in the city court or other court of competent jurisdiction to enforce this section. The city has the burden of proving the attempted or completed felony act by a preponderance of the evidence. [Ord. 2022-11 § 1, 11-22-2022; Res. 2022-36 Exh. A, 11-22-2022].

CITY COUNCIL AGENDA BILL

AB 3188
March 11, 2025
Regular Business

Agenda Item: 8f
Proposed Action & Subject: Discussion/possible direction/action regarding proposed State legislation, short-term rental legislation, lobbying efforts, and State budget and their potential impact on the City of Sedona.

Department	City Attorney/ Kurt Christianson
Time to Present	15 Minutes
Total Time for Item	30 Minutes
Other Council Meetings	February 11, 2025; February 25, 2025
Exhibits	None

Finance Approval	Reviewed 2/25/25 BGW
City Attorney Approval	Reviewed 2/25/25 KWC
City Manager's Recommendation	Reviewed 2/28/25

Expenditure Required	
$	N/A
Amount Budgeted	
$	N/A
Account No. (Description)	N/A

SUMMARY STATEMENT

Background: During the course of the State Legislative Session, many bills are introduced that have a potential impact on the City of Sedona. The League of Arizona Cities and Towns, the City's legislative advocate and City staff routinely monitor bills of interest as they progress through the legislative process.

This item is scheduled to provide a summary update on relevant bills and the proposed State budget, to answer questions that the City Council may have regarding any individual bill or the budget, and to consider the need for the City Council to take a formal position in support or opposition of any particular bill.

Climate Action Plan/Sustainability Consistent: ☐**Yes -** ☐**No -** ☒**Not Applicable**

Board/Commission Recommendation: ☐**Applicable -** ☒**Not Applicable**

Alternative(s): None

MOTION

I move to: For presentation and direction purposes only.

CITY COUNCIL AGENDA BILL

AB 3066
March 11, 2025
Regular Business

Agenda Item: 8g
Proposed Action & Subject: Discussion/possible direction regarding future agenda items.

Department	City Manager
Time to Present	2 Minutes
Total Time for Item	5 Minutes
Other Council Meetings	Included in City Council regular meeting agenda packets as of May 14, 2024
Exhibits	A. Future Agenda Items

Finance Approval	Reviewed 2/25/25 BGW
City Attorney Approval	Reviewed 2/25/25 KWC
City Manager's Recommendation	Reviewed 2/28/25

Expenditure Required	
$	N/A
Amount Budgeted	
$	N/A
Account No. (Description)	N/A

SUMMARY STATEMENT

Background: Council requested a document showing future agenda items be added to the Council packet going forward. Attached as Exh. A is the Future Agenda Items document for review and discussion, and possible direction purposes.

Climate Action Plan/Sustainability Consistent: ☐**Yes -** ☐**No -** ☒**Not Applicable**

Board/Commission Recommendation: ☐**Applicable -** ☒**Not Applicable**

Alternative(s): None

MOTION

I move to: For presentation and direction only.

Date	Day	Time	Type	Topic	Agenda Section	Requestor	Estimated Total Time
3/25/2025	Tuesday	4:30 p.m.	Regular Meeting				
				AB 3196 Approval of recommendation regarding a new Series 11 Hotel/Motel Liquor License for Sedona Real Inn & Suites, located at 95 Arroyo Pinon Drive, Sedona, AZ (file # 23597615).	Consent	Cook/Garner	N/A
				AB 3199 Approval of Change Order No. 1 to the WWRP UV Replacement Construction Manager at Risk Construction Services Contract in an amount not-to- exceed $xxx,xxx.	Consent	Holland	N/A
				AB 3168 Public Hearing/discussion/possible action regarding an Ordinance annexing approximately 3,422 acres of land including the City's wastewater treatment plant and neighboring City-owned property (the Dells) into the City's jurisdictional boundaries.	Regular	Christianson	30 min
				AB 3135 Discussion/possible action regarding approval of a new Resident Parking Permit Only zone in Uptown.	Regular	Lunsway/Harris	1 hour
				AB 3124 Discussion/possible action for award of construction contract for the PR-03C Improvements for the Build-Out of Ranger Station Park – Restroom to Bill Ralston Construction, LLC in the amount of $472,320.00.	Regular	Phillips	30 min
				AB 3150 Discussion possible action regarding approval of a construction contract with XXXXXXXXXXXX, Inc., for the City Hall Window and Door Replacement Project, in the amount of $XXXXXXXXXXXX.	Regular	Phillips/Farhat	30 min
				AB 3187 Discussion/possible action regarding approval of a contract for software purchase, with Tyler Technologies, Inc, in the amount of $XXX,XXX.	Regular	Dickey	30 min
				AB 3188 Discussion/possible direction/action regarding proposed State legislation, short-term rental legislation, lobbying efforts, and State budget and their potential impact on the City of Sedona.	Regular	Christianson	20 min
				AB 3066 Discussion/possible action regarding future meeting items.	Regular	Spickard	5 min
3/26/2025	Wednesday	3:00 p.m.	Special Meeting				

				AB 3201 Discussion and presentation from APS regarding Wildfire preparedness plans.	Special	Spickard	2 hours
4/8/2025	Tuesday	3:30 p.m.	Special Meeting				
				Discussion and consultation regarding personnel matters, specifically to discuss City Manager Anette Spickard's annual evaluation. This matter is brought in executive session pursuant to A.R.S. 38-431.03(A)(1).	Executive Session	Spickard	45 min
4/8/2025	Tuesday	4:30 p.m.	Regular Meeting				
				Approval of Fair Housing Month Proclamation, April 2025	Proclamations	Blum/Stewart	5 min
				AB 3091 Discussion/possible action regarding an additional $600,000 into the SIM 1B -Uptown Road Improvements Project for the completion of the paving northbound areas from Forest Road to Owenby Roundabout, but to also include the southbound areas.	Regular	Hall/Harris	30 min
				AB 3188 Discussion/possible direction/action regarding proposed State legislation, short-term rental legislation, lobbying efforts, and State budget and their potential impact on the City of Sedona.	Regular	Christianson	20 min
				AB 3066 Discussion/possible action regarding future meeting items.	Regular	Spickard	5 min
4/9/2025	Wednesday	3:00 p.m.	Special Meeting				
4/22/2025	Tuesday	4:30 p.m.	Regular Meeting				
				AB 3128 Approval of a purchase agreement for APN 401-64-006A,490 E. Sedona Vista Drive in an amount of $70,000.	Consent	Harris	NA
				AB 3127 Discussion/possible regarding draft amendments to the Land Development Code regarding construction of pickleball (and similar) courts, including, but not limited to, the following: setbacks, number of courts per property, lighting, hours of use, and screening.	Regular	Meyer	30 min

				AB 3144 Discussion/possible action regarding approval of a construction contract with XXXXXXXXXXXX, Inc, for the Andante Shared Use Path and Drainage Improvements Project, SIM-11n, in the amount of $XXXXXXX.	Regular	Phillips	15 min
				AB 3188 Discussion/possible direction/action regarding proposed State legislation, short-term rental legislation, lobbying efforts, and State budget and their potential impact on the City of Sedona.	Regular	Christianson	20 min
				AB 3066 Discussion/possible action regarding future meeting items.	Regular	Spickard	5 min
4/23/2025	Wednesday	3:00 p.m.	Special Meeting				
4/30/2025	Wednesday	4:30 p.m.	Special Meeting				
				City Council budget work sessions	Special	Whitehorn	9 hours
5/1/2025	Thursday	4:30 p.m.	Special Meeting				
				City Council budget work sessions	Special	Whitehorn	9 hours
5/13/2025	Tuesday	4:30 p.m.	Regular Meeting				
				AB 3151 Discussion/possible action regarding approval of a construction contract with XXXXXXXXXXXX, Inc, for the Improvements at Ranger Station / Interior Restoration of House and Barn Project, in the amount of $XXXXXXX.	Regular	Phillips	30 min
				AB 3188 Discussion/possible direction/action regarding proposed State legislation, short-term rental legislation, lobbying efforts, and State budget and their potential impact on the City of Sedona.	Regular	Christianson	20 min
				AB 3066 Discussion/possible action regarding future meeting items.	Regular	Spickard	5 min
5/13/2025	Tuesday	4:30 p.m.	Regular Meeting				

				AB 3111 Discussion/possible action regarding approval of a construction contract with XXXXXXXX LLC for the construction of the Shared-Use Pathway on Dry Creek from Gringo Road to White Bear Road, in the amount of $XXXXXXXX	Regular	Phillips	15 min
				AB 3145 Discussion/possible action regarding approval of a construction contract with XXXXXXXXXXXXX and Associates, Inc, for the SIM-11T Coffee Pot Shared-Use Path Project, in the amount of $XXXXXXX.	Regular	Phillips	15 min
				AB 3188 Discussion/possible direction/action regarding proposed State legislation, short-term rental legislation, lobbying efforts, and State budget and their potential impact on the City of Sedona.	Regular	Christianson	20 min
				AB 3066 Discussion/possible action regarding future meeting items.	Regular	Spickard	5 min
5/14/2025	Wednesday	3:00 p.m.	Special Meeting				
5/27/2025	Tuesday	4:00 p.m.	Special Meeting	Tentative Budget for Community Facility Districts		Whitehorn	15 min
5/27/2025	Tuesday	4:30 p.m.	Regular Meeting				
				AB 3155 Public hearing/discussion/possible action regarding approval of the Tentative City Budget for Fiscal Year 2025-2026.	Regular	Whitehorn	90 min
				AB 3133 Discussion/possible action regarding approval of PT-04B SR179 Park and Ride Construction Contract in the amount of $XXXXXXX.	Regular	Hall	30 min
				AB 3188 Discussion/possible direction/action regarding proposed State legislation, short-term rental legislation, lobbying efforts, and State budget and their potential impact on the City of Sedona.	Regular	Christianson	20 min
				AB 3066 Discussion/possible action regarding future meeting items.	Regular	Spickard	5 min
5/28/2025	Wednesday	3:00 p.m.	Special Meeting				

				AB 3153 Discussion/possible action regarding the Sedona in Motion transportation program.	Regular	Harris	120 min
6/10/2025	Tuesday	4:30 p.m.	Regular Meeting				
				AB 3188 Discussion/possible direction/action regarding proposed State legislation, short-term rental legislation, lobbying efforts, and State budget and their potential impact on the City of Sedona.	Regular	Christianson	20 min
				AB 3066 Discussion/possible action regarding future meeting items.	Regular	Spickard	5 min
6/11/2025	Wednesday	3:00 p.m.	Special Meeting				
6/24/2025	Tuesday	3:00 p.m.		Resolution adopting the Community Facilities District Budget for Fiscal Year 2025-26.	Special	Whitehorn	15 min
6/24/2025	Tuesday	4:00 p.m.	Special Meeting				
				AB 3156 Public hearing/discussion/possible action regarding approval of a Resolution adopting the City of Sedona's Budget for Fiscal Year 2025-26.	Special	Whitehorn	30 min
6/24/2025	Tuesday	4:00 p.m.	Regular Meeting				
				AB 3066 Discussion/possible action regarding future meeting items.	Regular	Spickard	5 min
6/25/2025	Wednesday	3:00 p.m.	Special Meeting				
7/8/2025	Tuesday	4:30 p.m.	Regular Meeting				
				AB xxx Discussion/possible direction regarding the City's Small Grant Awards for FY26.	Regular	Turk	30 min

				AB 3066 Discussion/possible action regarding future meeting items.	Regular	Spickard	5 min
7/9/2025	Wednesday	3:00 p.m.	Special Meeting				
				AB 3172 Discussion/possible direction regarding the WWRP Facility Plan on PFAS treatment, and possible options for reclaimed water delivery and Advanced Water Purification.	Special	Holland	120 min