

AGENDA



3:30 P.M.

CITY COUNCIL MEETING

TUESDAY, MARCH 10, 2026

NOTES:

- Meeting room is wheelchair accessible. American Disabilities Act (ADA) accommodations and translation services 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

3. SPECIAL BUSINESS

LINK TO DOCUMENT =

- a. AB 3276 **Public hearing/presentation/discussion** concerning whether the City of Sedona should extend the Alternative Expenditure Limitation – Home Rule Option with regard to the City Budget. This is the second of two public hearings and this issue would be placed on the July 21, 2026, ballot for voter approval.
- b. **Discussion/possible action** regarding ideas for future meetings/agenda items.

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 regarding matters listed on this agenda per A.R.S. § 38-431.03(A)(3).
- b. Return to open session. Discussion/possible action regarding executive session items.

5. ADJOURNMENT

Posted: 03/05/2026

By: DJ

JoAnne Cook, CMC, City Clerk

Note: Pursuant to A.R.S. § 38-431.02(B) 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 material 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.

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.



CITY COUNCIL AGENDA BILL

AB 3276
March 10, 2026
Special Business

Agenda Item: 9b

Proposed Action & Subject: Public hearing/presentation/discussion concerning whether the City of Sedona should extend the Alternative Expenditure Limitation – Home Rule Option with regard to the City Budget. This is the second of two public hearings and this issue would be placed on the July 21, 2026, ballot for voter approval.

Department	City Manager's Office/Finance Department
Time to Present	15 minutes
Total Time for Item	45 minutes
Other Council Meetings	N/A
Exhibits	A. PowerPoint Presentation

Finance Approval	Reviewed 02/25/26 BGW	
City Attorney Approval	Reviewed 2/25/26 KWC	Expenditure Required
		\$ 0
City Manager's Recommendation	For presentation and discussion only.	Amount Budgeted
		\$ 0
		Account No. (Description)

SUMMARY STATEMENT

Background: The purpose of this item is to meet the necessary requirements to place the continuation of the Home Rule Option, also known as Alternative Expenditure Limitation, on the ballot for the July 21, 2026 election.

This hearing, and a previous hearing on February 24, 2026, are required to place the continuation of Home Rule on the ballot. The City Council will determine by resolution at a special meeting on March 10, 2026, whether to place the Home Rule Option on the ballot. Approval of that resolution requires a supermajority, or two-thirds majority, vote of the Council. The Home Rule Option would then be voted on by the public at the July 21, 2026 election.

The City has operated under the Home Rule Option (Alternative Expenditure Limitation) for 30 years. The voters last approved the alternative expenditure limitation in August 2022. Under the State Constitution, Article IX, § 20, Home Rule must be placed on the ballot every four years.

Approval of Home Rule allows the City to continue to set its budget locally. Home Rule gives the City local control for use of the funds it receives through the taxes and fees; instead of limiting expenditures to the state-imposed expenditure limitation based on population and expenditures during the 1979/1980 fiscal year, adjusted for growth and inflation.

Home Rule does not authorize any new taxes, nor does the state-imposed limitation reduce the City's capacity to collect revenue such as taxes. It only reduces the ability to expend revenue being collected by the City. If Home Rule is not passed, this would result in the City's inability to expend revenues collected to support existing levels of operations and City services. The City would be required to reduce or eliminate programs, services, and capital projects to comply with the state-imposed expenditure limitation. 82 of the 92 cities and towns in Arizona operate under an alternative to the state's expenditure limitation.

If the resolution is approved to place the continuation of the Home Rule Option (Alternative Expenditure Limitation) on the ballot, any person, group or organization can submit an argument supporting or opposing the Home Rule-Alternative Expenditure Limitation Option. These arguments will be published in the publicity pamphlet for the election. Arguments must be filed with the Sedona City Clerk by 12:00 p.m. on April 15, 2026 to be included. The argument may not exceed two hundred (200) words in length.

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

Board/Commission Recommendation: ☐ Applicable - ☒ Not Applicable

Alternative(s): Not Applicable.

MOTION

[Open Public Hearing]

For presentation and public hearing only. This meeting is the second of two public hearings.

Alternative Expenditure Limitation

Home Rule Primary Election
July 21, 2026



What is the Expenditure Limit?

In 1980, voters approved spending limits for Arizona counties and cities

- State-Set Limit
- Two Alternatives to the State-Set Limit
 - Home Rule
 - Permanent Base Adjustment
- One-Time Override Options
- 90% of all Arizona cities and towns use an alternative method (82 out of 92 municipalities)

Alternatives to the State-Set Limit

- Home Rule: Alternative Expenditure Limitation allows a city to set its own spending limitation based on current and projected revenue and local service demands
- Permanent Base Adjustment: Alternative Expenditure Limitation allows a city to “permanently” adjust the base amount (1980 Budget), and calculates the limit based on the State formula



History of Home Rule in Sedona

- Most recently approved by Sedona voters in August 2022 (64% in favor)
- Must be approved by the voters and renewed every four years
- Sedona has been operating under Home Rule since 1996 – last 30 years
- Public Hearings for the 2026 Home Rule election: Feb. 24, 2026 and March 10, 2026

Why Home Rule?

Why did voters approve a Home Rule option?

- State calculation uses a population-growth formula and state-wide inflation factor
- Does not consider visitor population and other commercial growth
- Does not account for new and differing sources of revenue
 - New utilities
 - Increased bed and sales tax
 - New sources of revenue (e.g., paid parking)



Why Home Rule? (continued)

- State Calculated Limit
 - Not adjusted for additional services resulting from citizen and visitor demand and community priorities
 - i.e., Affordable Housing, Sustainability, Transit
 - Formula based on 1978 population and 1980 budget
 - Sedona was not incorporated until 1988
 - 1980 budget based on other cities per capita average; not specific to Sedona

One-Time Options Under the State Limit

- If voters do not approve Home Rule, the City could hold a special election the third Tuesday in May 2027 for a one-time override
 - Voters would vote on the override amount (Yes or No)
 - A one-time override does not allow residents to dictate line items in the budget
 - If the override is approved, it allows the City to exceed the State limit for the NEXT fiscal year (FY27/28)
 - The timing of the election would create uncertainty for the budget and projects that are ongoing
 - A one-time override would be used to allow the completion of projects in process



City Budgeting Practices

Multi-Layered Review

- Citizens Budget Work Group
- City Council public meetings, workshops and two public hearings
- Annual independent financial audit
- Annual Expenditure Limitation audit
- Annual Highway User Revenue Fund audit
- Triennial court procedures review

Best Practices & Awards

- Governmental Finance Officers Association (GFOA)
 - Certificate of Achievement for Excellence in Financial Reporting – 25 years
 - Distinguished Budget Presentation Award – 13 years
- Investment grade AA- Bond Rating (S&P)

What if Sedona did not have Home Rule?

- Revenue would still be collected – there is no change to tax rates, charges to services or other revenue streams
- Revenue collected above the limit would remain unavailable for a minimum of two years
- There would be significant service level reductions
- Governments have required functions and desirable, community benefit functions
 - Priority for limited funding would be required functions

State Limit versus Sedona Budget

FY 2025-26 State Expenditure Limit for Sedona	\$ 15,411,542
FY 2025-26 Adopted Budget	\$ 103,291,695
Estimated City Exemptions -debt service, grants, AZ Highway User Revenue Fund (HURF)	\$ 16,280,895
Estimated Sedona FY26 Budget Subject to Limit	\$ 87,010,800
Amount in excess of Limit	\$ (70,729,905)

Required Functions of local government (FY26)

Planning & Permitting; Building Safety, Code Enforcement: \$2.2M	
Municipal Court: \$0.9M	Council & Clerk: \$0.5M
Wastewater Operations: \$4.1M	Streets, Facility & Stormwater Maintenance: \$9.7M
	Police Operations: \$8.1M

Required functions subject to the limit, total: \$25.5M



Other Functions (FY26)

Tourism (state DMMO): \$2.0M	Boards & Commissions: \$30k	
	Arts & Culture: \$162k	
	STR Program: \$110k	
	Housing: \$0.8M	
Engineering: \$2.0M	Communications: \$0.43M	
Parks & Recreation: \$1.3M	Sustainability: \$1.0M	Capital Improvements: \$42.3M
Internal Services: \$2.5M	General Services: \$4.4M	
Mgmt & City Attorney: \$2.0M	Public Transit: \$2.5M	

Other functions subject to the limit, total: \$61.5M



Service Impact

Required functions: \$25.5M

- \$10.1M, 40%, over the adjusted limit
- Priority for funding

Other functions: \$61.5M

- Programs and Services: \$19.2M
- Capital Projects: \$42.3M
- Secondary for funding

State Limit:
\$15.4M

Expenditures
subject to Limit:
\$87.0M

Planning & Permitting: Building Safety, Code Enforcement: \$2.2M			Streets, Facility & Stormwater Maintenance: \$9.7M	
Municipal Court: \$0.9M	Council & Clerk: \$0.5M		Police Operations: \$8.1M	
Wastewater Operations: \$4.1M				
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Internal Services: \$2.5M	Sustainability: \$1.0M			
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Required Functions: \$25.5M

Other Functions: \$61.5M



