

MINUTES
REGULAR CITY COUNCIL WORKSESSION
CITY COUNCIL OF THE CITY OF YUMA, ARIZONA
CITY COUNCIL CHAMBERS - YUMA CITY HALL
ONE CITY PLAZA, YUMA, ARIZONA
February 18, 2025
5:30 p.m.

CALL TO ORDER

Mayor Nicholls called the Regular City Council Worksession to order at 5:30 p.m.

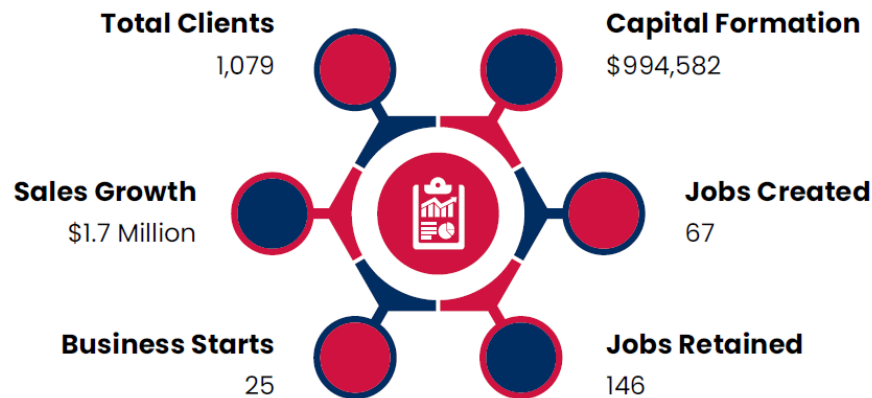
Councilmembers Present: Martinez, Watts, Morris, McClendon, Smith, Morales, and Mayor Nicholls
Councilmembers Absent: None
Staffmembers Present: Acting City Administrator, John D. Simonton
Director of Finance, Douglas Allen
Director of Engineering, David Wostenberg
Director of Planning and Neighborhood Services, Alyssa Linville
Various department heads or their representatives
City Attorney, Richard W. Files
Deputy City Clerk, Janet L. Pierson

I. ARIZONA WESTERN COLLEGE SMALL BUSINESS DEVELOPMENT CENTER

Crystal Mendoza, Director of the Arizona Western College (AWC) Small Business Development Center (SBDC), introduced **Leticia Williams**, Business Counselor with the SBDC, to provide the following annual update:

- Who We Are
 - The Arizona SBDC Network works to help launch, grow and sustain small businesses in Arizona. We are Arizona's largest most comprehensive and accessible statewide source of assistance for small businesses in every stage of development.
 - The SBDC is a nationwide network with the largest group of resources for small businesses
 - The Yuma location is one of 10 centers within Arizona
- SBDC Services
 - Counseling
 - Training
 - Resources
 - 10 SBDC Centers in Arizona and counselors in Yuma County
- SBDC-AWC Open Counseling Sessions
 - Offered at six locations: Yuma, Somerton, Wellton, San Luis, Parker and Quartzite
 - Offered at no cost
 - SBDC works with the client to adjust and evaluate the business to help figure out what is needed to move forward
- Fiscal Year (FY) 2024 Workshops Provided
 - Youth Entrepreneurial Skills
 - Social Media 101
 - The Business Behind the Beauty
 - 2024 Pitch Competition

- Limited Liability Company (LLC) Launch Lab
- Franchise Blueprints: Basics for Local Entrepreneurs
- Boots to Business – partnered with Marine Corps Air Station (MCAS)
- Mexicana Emprende – Mexican Consulate
- Funding Your Dreams in Collaboration with Chicanos Por La Causa
- Refuerza Tu Negocio (Strengthen Your Business) with the Better Business Bureau
- Small Business Resource Fair
- FY 2025 Upcoming Topics
 - How to Conduct Business with Confidence in the City of Yuma
 - National Small Business Week! Resource Fair
 - LLC Launch Lab
 - Beneficial Ownership Information (BOI) Requirements: 2025 Updates
 - Funding Your Dreams in Collaboration with Chicanos Por La Causa
 - Home Based Businesses
 - Social Media 101
 - Youth Entrepreneurial Skills
 - Running an E-Commerce Business
 - Boots to Business – MCAS
 - Loans: Options, Process & Acquisition
 - Desarrollo Empresarial (Business Development) in Collaboration with Startup Unidos
 - Financial Literacy: Profit Soup Cohort
 - Dream Builder Workshop Series
 - Cultivating the Future: 2025 Pitch Competition
 - International Trade Essentials: Import and Export Requirements
 - How to Know if Your Business is Generating Revenue
- Economic Impact October 2023-September 2024



Elaborating, **Williams** further discussed the following programs and partnerships:

- Profit Soup
 - A financial education resource helping business owners elevate their game
 - Provide workshops that cover rates, common financial statements, profit break even, and how to use your finances to make better decisions
- Dream Builder
 - Provides free online training in entrepreneurship targeting socially and economically disadvantaged individuals (SEDI) in rural and mining communities
 - Topics include pricing, sales, tracking profits and losses, and raising capital
- AI U (Artificial Intelligence University)
 - Initiative supported by Google with \$10 million in funding

- Will provide AI training and one-on-one coaching to help small businesses harness the power of AI
- Through AI Clinics, the program aims to train 500 small business advisors and engage 500 college students as associate advisors

Discussion

- The \$10 million funding will be split throughout the America's SBDC; our center is anticipating approximately \$1 million. [Mayor Nicholls/Mendoza]
- The Boots to Business Program provides resources specific to military families through a cohort that SBDC works closely with to be able to support their success. Local businesses that work through this Program by volunteering their services are most appreciated. [Morales/Mendoza]
- The Profit Soup Program should be helpful to assist businesses to file correct financial documents with their financial institutions. [Morales]
- With new businesses being supported by SBDC, the "Buy Local" campaign is a program that will be continued to be promoted. [Morales/Mendoza]
- Approximately 60%-65% of SBDC's services go towards start-up businesses, but if the business is under the Small Business Administration, they are eligible for SBDC's support to assist with retention. [Morris/Mendoza]
- The Beneficial Ownership Information (BOI) requirements were promoted by SBDC through a worksession to provide information to SBDC's clients; updates were also provided via social media. Last update is that BOI is being held in court. [Mayor Nicholls/Mendoza]

II. GREATER YUMA ECONOMIC DEVELOPMENT CORPORATION

Greg LaVann, President and CEO of the Greater Yuma Economic Development Corporation (GYEDC), took the opportunity to inform the newest Councilmembers and to reacquaint the veteran Councilmembers with what GYEDC does:

- The GYEDC Board is comprised of 19 members from both the public and private sector
- By working with multiple partners GYEDC essentially builds an economic landscape that is fertile for development
- Facilitate training programs and resources for companies looking to locate in Yuma
- Work with keyholder companies, such as APS, Southwest Gas, Allo and local municipalities, to ensure key infrastructure within development areas are prime for economic growth
- Spend approximately \$70,000 a year on market intelligence that provides data to inform GYEDC's partners that these are correct decisions
- Work with the manufacturing group and supply chain solutions to ensure that the industrial community is doing well
- Attract new companies that can benefit from local linkages and alignment
- Work with stakeholders to ensure GYEDC local partners are involved in the decision making
- GYEDC puts incentive packages together, through tax credits, grants and low interest loans for existing companies looking to expand, and new companies interested in Yuma
- As a marketing agency, and arm of the City and region, GYEDC promotes all our assets; health care, education, infrastructure, and overall economic development business.
- This is all accomplished by a staff of five individuals

LaVann went on to present the GYEDC mid-year update as follows:

- Key Performance Indicators (KPI)
 - Investor Creation
 - Revenue Generation
 - High Wage Job Growth
 - Economic Resilience
- Mid-Year KPI

20,040,696

Payroll Generated

\$54,756

Avg High-Wage Salary

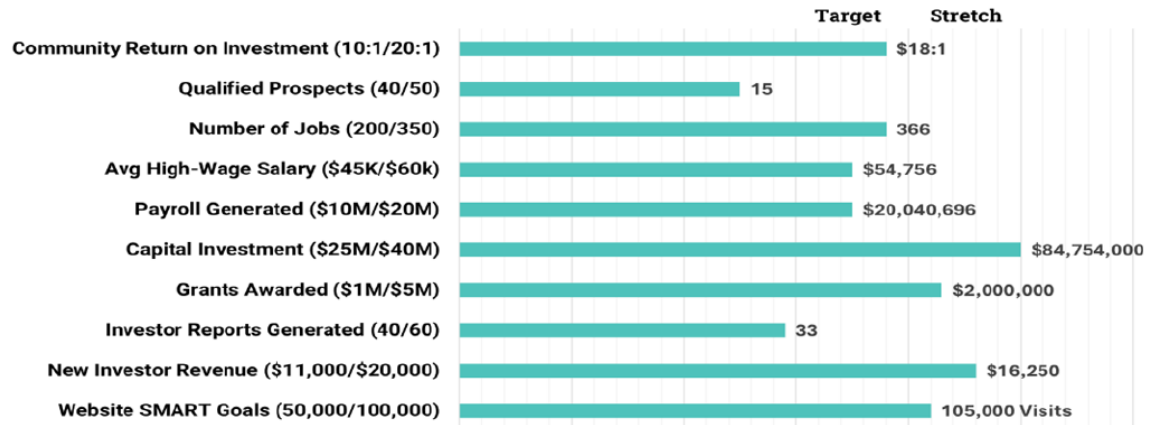
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New Jobs

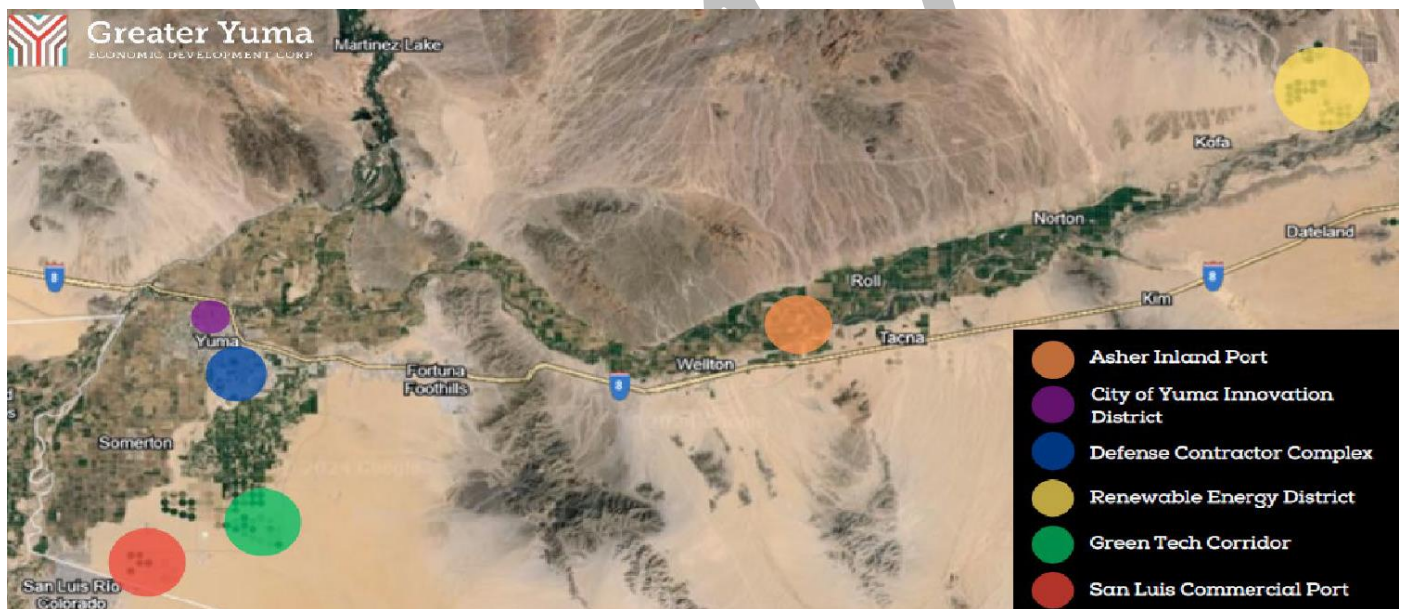
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Company

Locates/Expansions



- Economic Growth Corridors



- GYEDC Marketing Strategy and Multi-Media approach
 - GYEDC is bringing in projects and businesses from the East County to San Luis
 - GYEDC is utilizing different media platforms to get in front of these projects and businesses and tell Yuma's story
 - Targeted approaches through Google ads along with other campaigns that help track and target key industries that we know are growing
 - GYEDC hired a binational consultant to promote the Yuma area in Mexico

Digital Strategy



Tracking Visits to Site
with LeadFeader/GA



Advertise Bi- nationally



Generate New Leads
with targeted ad
campaigns



Media Contacts



Magazines



Podcasts

- New Website Launch



99,197
Impressions



584,148
Impressions

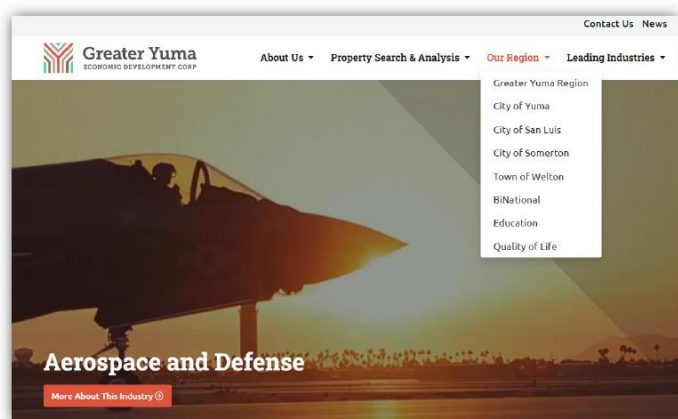


644,537
Events on Site
35,000 in 2023

532% Event Increase

98,771 Website Visits

89,000 New User Interface



Modern Design, Interactive User Experience, Trackable Audience Interface

- Outbound Attraction
 - 52+ Pitch Meetings
 - 40+ Company One-On-Ones

- GYEDC Partner Initiatives



Discussion

- GYEDC is aligned with 4FrontEd. [Mayor Nicholls/LaVann]
- The daycare efforts are still a work in progress; funding to support the local businesses is being looked into. [Morris/LaVann]
- The 52+ Pitch Meetings are face-to-face meetings with site selectors and consultants that we discuss key assets of our area and promote the region as a whole. [Morales/LaVann]
- GYEDC uses Executive Pulse as a Customer Relationship Manager (CRM) tool and follow up is done often, until they let us know they are not ready to proceed. [Morales/LaVann]

III. Q2 FY 2025 FINANCIAL BRIEFING

Allen presented the following information relating to the City's Fiscal Year (FY) 2024 year-end results, FY 2025 financial status, and FY 2026 budget preview:

- FY 2024 Year-End Results
 - Financial Overview
 - No adjustments for the FY 2025 budget are warranted resulting from the FY 2024 audit
 - However, based on the 2026 legislative session, it may be prudent to make any necessary changes along the way
 - Governmental revenues exceeded expenditures/transfers by \$15 million, with \$8.6 million in the General Fund
 - Water and Wastewater net revenues were \$0.7 million and \$2.1 million respectively, primarily due to the capital projects held back from prior years that will be completed this year
 - Investment earnings were at \$16.7 million

- General Fund Balances
 - Unassigned fund balances ended the year at \$30.1 million, which is 24% of the General Fund revenues
 - Highlights of fund balance designations (in millions):
 - Debt Service due within one year - \$15.1
 - Public Safety Personnel Retirement System (PSPRS) Reserve for future unfunded liability - \$14.1
 - Capital projects approved FY 2024-2028 - \$8.3
 - Subsequent capital and grant match - \$7.9
 - Fleet ordered, not received - \$4.7
 - Public Safety Prop 207 - \$2.2
 - Six other designations - \$4.2
- Annual Expenditure Compliance
 - The City met its FY 2024 Expenditure Limitation of \$160.8 million by utilizing \$2.3 million in prior year carry over; not a permanent solution, but it got the City through this year
- Audit Findings
 - No recurring findings from prior years
 - New one-time finding relating to a change in how the City recognizes revenue
- Change in Revenue Recognition
 - Historically the City has recognized Transaction Privilege Tax (TPT) revenue in the month the vendor remits payment to the Arizona Department of Revenue (ADOR), which is the month after the TPT activity is engaged
 - Beginning with FY 2024, the City has elected to change TPT revenue recognition to the month the TPT activity is engaged
 - This has no impact on the City's cash balances, timing for cash flows, or budgeting, but resulted in a restatement to the FY 2024 opening Fund Balance of \$5.3 million
 - This change in revenue recognition was explained in a note on pages 110-111 of the FY 2024 Annual Comprehensive Financial Report, following provisions of the Governmental Accounting Standards Board Statement No. 100
- Development Fees
 - A public hearing will be held during tomorrow night's City Council Meeting on the City's biennial certified audit of land use assumptions, infrastructure improvements plan and development fees
- FY 2025 Financial Status
 - Policies and Financing
 - Series 2021 Revenue Bond Buy-Back
 - The potential buy-back that was presented to City Council for consideration has been paused until it is determined what will happen with the pending grocery tax legislation
 - Public Safety Personnel Retirement System (PSPRS) Unfunded Actuarial Accrued Liability (UAAL)
 - The City's funded ratio has eroded below 100% which was driven by returns falling slightly lower than the 2022 assumed earnings rate, salary increases that were higher than expected, and independent actuarial audit results that were implemented in the 2023 valuation

- Recommendation - no action in FY 2025 based on the following considerations:
 - Though bond proceeds that are expenditure limitation exempt are available, using them would drain the reserve account
 - The funded ratio is still above 95%, and the reserve account brings it up to 100%
- Arizona State Retirement System (ASRS) Contribution Prepayment Program (CPPP)
 - The City has the option to deposit funds to the ASRS CPPP, which can then be used as a contribution in lieu of cash payment whenever the City deems it to be advantageous
 - These funds will be invested by ASRS and earn an average return of 7.1%, there is no time limit to move the deposit
 - Recommendation – deposit \$6.2 million into the ASRS CPPP based on the following:
 - \$6.2 million is equivalent to the FY 2026 one-year contribution
 - Once deposited it cannot be pulled back, but it can be used as a contribution at any time

Discussion

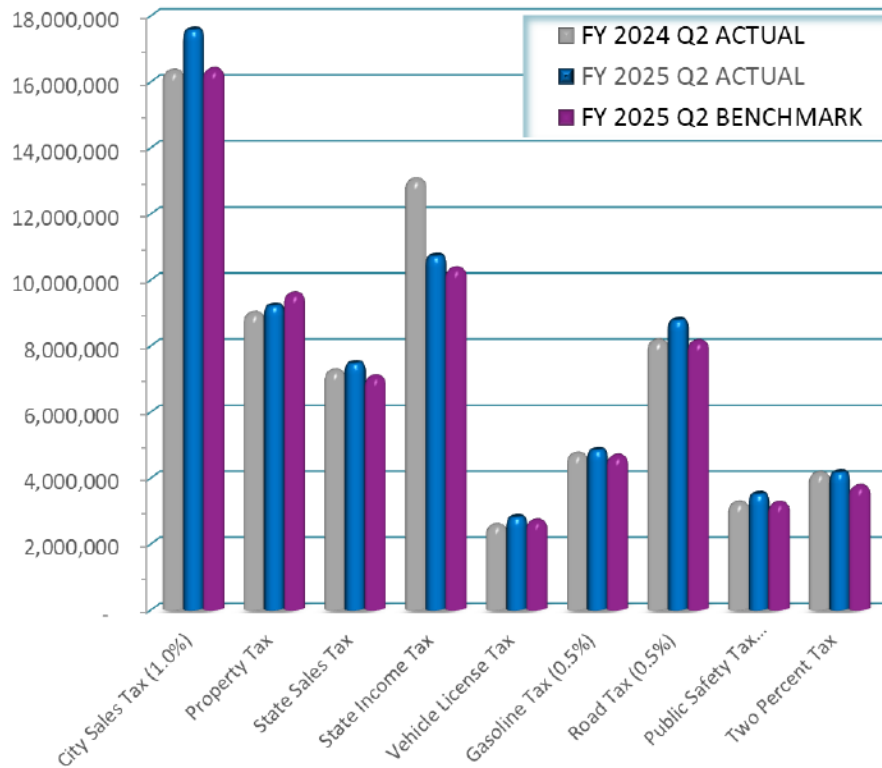
- If the PSPRS reserve fund is used to increase the funded ratio to 100%, the market could subsequently turn and result in the City then being over-funded; maintaining those funds in the reserve account keeps them liquid [**Mayor Nicholls/Allen**]
- Based on the information presented and economic indicators, it makes sense to not take any action on the PSPRS UAAL and re-evaluate next year [**Mayor Nicholls/Smith/Morales**]
- In the event that the market takes a unanticipated downward turn, the City can tap into the PSPRS reserve funds, which is currently \$14.1 million and growing at about 5% [**McClendon/Allen**]
- If the funded ratio dips below 95%, the City can revisit using reserve funds; the problem with being overfunded is the City can not get those funds back, even if the actuarial report changes in the future [**Morris/Allen**]
- Funds paid into the ASRS CPPP can then be transferred in lieu of payment to mitigate impact to the City's budget; there is also flexibility in the time periods and dollar amounts of those movements [**Mayor Nicholls/Allen**]
- Action on the ASRS CPPP would come back to City Council for approval at a future meeting; a summary can be provided to City Council prior to that meeting [**Mayor Nicholls/Smith/Allen**]

Allen concluded his presentation as follows:

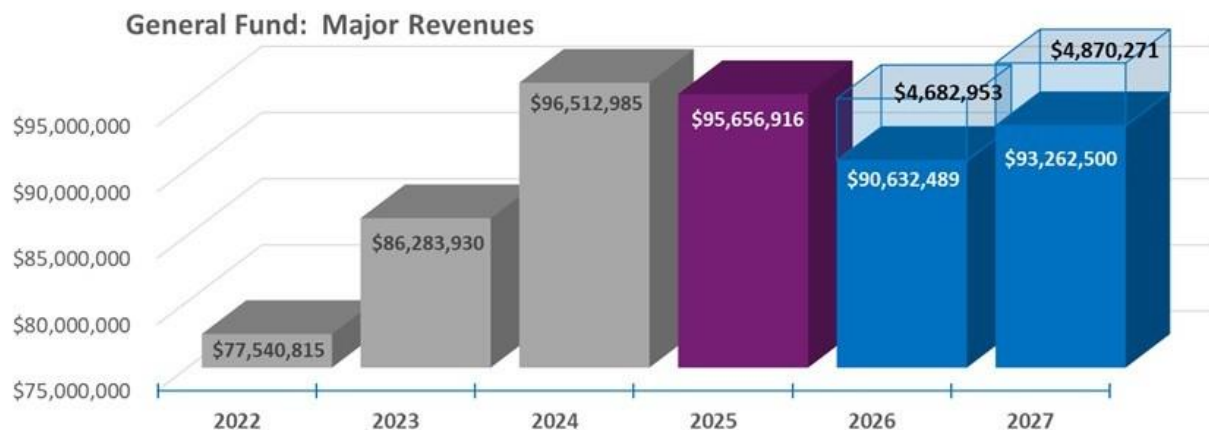
- FY 2025 Financial Status (continued)
 - Major Operating Revenues
 - General Fund major operating revenues have accounted for 76% to 80% of total annual General Fund revenues
 - This includes City Sales Tax, Property Tax, State Sales Tax, State Income Tax, and Vehicle License Tax
 - Year-over-year, major operating revenues are down \$2 million, primarily due to income tax which was expected to be lower

February 18, 2025

- Benchmarks are at about 100% for all sources, with the exception of property tax which is at 68% due to delays in collections from Yuma County
- With the exception of state income tax and property tax as mentioned above, all major operating revenues are coming in at or above both FY 2024 actual and FY 2025 benchmarks



- Expenditures/Expenses
 - Spending is at 50% or less of the approved budget, which is on target for the second quarter
- FY 2026 Budget Preview
 - General Fund Revenues
 - FY 2025-FY 2027 estimates reflect residential rental tax eliminated mid-FY 2025, income tax reduction FY 2025-2026, and potential grocery tax elimination in FY 2026



- City Sales Tax
 - Grocery Tax has been moved out of the Recurring/Operating section in FY 2026 due to it being at risk for preemptive legislation

CITY'S 1.7% SALES TAX (1.0% General; 0.5% Road; 0.2% Public Safety)				BY CATEGORY	
Category as Reported by ADOR	Projected FY 2026	Estimated FY 2025	Actual FY 2024	Actual FY 2023	Actual FY 2022
Retail	\$ 32,356,654	\$ 31,660,549	\$ 30,250,235	\$ 29,599,446	\$ 28,415,599
Grocery (recurring) *	-	7,581,925	7,091,646	6,821,060	5,705,262
Restaurants and bars	6,525,504	6,460,895	6,324,468	6,279,049	5,818,497
Internet sales	3,337,245	2,901,952	2,470,224	2,086,809	1,819,060
Hotels	1,143,293	1,149,038	1,230,342	1,372,421	1,382,398
Utilities	3,422,298	3,322,619	2,844,571	2,681,639	2,784,152
All 14 other categories	3,963,801	3,775,049	3,436,773	3,135,856	3,050,266
Total Recurring/Operating	\$ 50,748,795	\$ 56,852,027	\$ 53,648,259	\$ 51,976,280	\$ 48,975,234
Grocery *	7,961,021	-	-	-	-
Residential rental leasing **	-	280,975	552,362	562,535	343,235
Total At-Risk/Non-recurring	\$ 7,961,021	\$ 280,975	\$ 552,362	\$ 562,535	\$ 343,235
Construction	5,295,108	5,343,197	4,256,174	3,368,292	4,001,825
Total City's 1.7% Tax	\$ 64,004,924	\$ 62,476,199	\$ 58,456,795	\$ 55,907,107	\$ 53,320,294

- The projected FY 2026 budget impact of the elimination of the grocery tax on the General Fund, Road Tax, and Public Safety Tax is detailed in the pie chart below:



Discussion

- The grocery tax has been moved out of the recurring/operating section for the time being because it is at risk for elimination, but the projected revenues are still included as a final determination has not yet been made [Mayor Nicholls/Allen]
- The additional income that would be generated by implementing the maximum income tax levy is estimated at about \$158 thousand, while the projected loss resulting from the elimination of the grocery tax is \$8 million [Mayor Nicholls/Allen]
- The Public Hearing for the Development Fee Audit will be held at tomorrow night's meeting, where the auditor from Baker Tilly will present the audit findings to City Council [Mayor Nicholls/Allen]

IV. REGULAR CITY COUNCIL MEETING AGENDA OF FEBRUARY 19, 2025

Motion Consent Agenda Item C.3 – Bid Award: Traffic Management Center (award a construction services contract in the amount of \$270,382.46 to Merrill Development for tenant improvements at the City of Yuma Public Works building for a Traffic Management Center) (RFB-25-192) (Eng)

Mayor Nicholls declared a potential conflict of interest on Motion Consent Agenda Item C.3 as his firm was involved in the design of the project, turned the meeting over to Deputy Mayor Smith, and left the dais.

Discussion

- This contract will allow for the renovation of the interior of the Public Works building; once completed, this area will contain the server room, monitors, and new offices for the Traffic Management Center (TMC) [**Morris/Wostenberg**]
- Some of the required hard wire infrastructure is already routed into the building, but much of the equipment will operate utilizing Wi-Fi; Engineering will work closely with IT to ensure that all equipment is compatible with the City's systems [**Morris/Wostenberg**]
- The current focus of the TMC will be the City's four main corridors: 16th Street, 24th Street, 4th Avenue, and Avenue B; additional problematic areas, such as the Avenue 8E and 32nd Street intersection, may be added as funding allows [**Morris/Wostenberg**]
- As the system progresses, it will likely utilize a combination of Wi-Fi, fiber, and cellular to facilitate communication between the TMC and traffic signals [**Morris/Wostenberg**]

Mayor Nicholls returned to the dais.

Adoption of Ordinance O2025-004 – Easement – Latter-Day Saints Property Easement (acceptance of real property located southwest of E. 36th Street and E. Oriole Drive) (Eng)

Discussion

- This property was gifted to the Latter-Day Saints church for use as access for the current temple site, as well as an easement for future public utilities; it will be built and maintained by the church at this time, but could potentially be gifted to the City as right-of-way in the future [**Morris/Wostenberg**]

Resolution R2025-014 – Major General Plan Amendment: Café Main Street Properties, LLC (following a public hearing, approve the request to change the land use designation from Low Density Residential to Commercial for the property located west of the W. 7th Street and S. 21st Avenue intersection) (GP-43222-2024) (Plng & Nbhd Svcs/Cmtty Plng)

Resolution R2025-015 – Major General Plan Amendment: Calle Ocho Properties, LLC (following a public hearing, approve the request to change the land use designation from Low Density Residential to Commercial for the property located at 764 S. 21st Avenue) (GP-43223-2024) (Plng & Nbhd Svcs/Cmtty Plng)

Discussion

- A traffic statement or plan is not required for a General Plan Amendment, which only changes the land use designation for the property, but would be required for a rezoning application [Morales/Linville]
- The property to the south is already developed as H-2A housing, which is used for temporary agriculture workers; the property has split zoning, and H-2A housing is a permitted use under both zoning districts [Morris/Linville]
- The vehicle access to the existing H-2A housing is closed off, and a significant number of cars are parked on both sides of the road adjacent to the property; the City will ask for clarification as to whether the potential second development will allow parking on the premises [McClendon/Linville]

EXECUTIVE SESSION/ADJOURNMENT

Motion (Smith/Morales): To adjourn the meeting to Executive Session. Voice vote: **approved** 7-0. The meeting adjourned at 6:56 p.m.

Lynda L. Bushong, City Clerk

APPROVED:

Douglas J. Nicholls, Mayor

Approved at the City Council Meeting of:

City Clerk: _____