

MINUTES
SPECIAL WORKSESSION/ROUNDTABLE
CITY COUNCIL OF THE CITY OF YUMA, ARIZONA
CITY COUNCIL CHAMBERS, YUMA CITY HALL
ONE CITY PLAZA, YUMA, ARIZONA
April 24, 2019
5:30 p.m.

CALL TO ORDER

Mayor Nicholls called the City Council meeting to order at 5:35 p.m.

Councilmembers Present: Shelton, Watts (5:57 pm), Thomas, Knight, McClendon, Miller and Mayor Nicholls

Councilmembers Absent: none

Staffmembers Present: City Administrator, Gregory K. Wilkinson
Director of Finance, Lisa Marlin
Finance Officer Consultant, Pat Wicks
Police Chief, Susan Smith
Various Department Heads or their representative
City Attorney, Richard W. Files
Deputy City Clerk, Janet L. Pierson

I. OPENING REMARKS

Mayor Nicholls stated that tonight City Council will review the City's budget as it is presented at this time, and noted that future budget meetings to review and refine the budget will be scheduled.

II. CITY OF YUMA 2018-2019 AND 2019-2020 BUDGETS

Wilkinson stated that City Council had asked about options for places to cut in lieu of raising property taxes. A list of potential budget cuts was provided; however, Wilkinson stated cutting these currently provided services will not be popular.

Wilkinson touched on the following items related to the proposed Mesa Del Sol annexation and the Far West Water acquisition then opened the floor for City Council discussion:

- Far West Water acquisition: Taking into consideration the estimated bond payment, preliminary numbers show projections for the water and wastewater operations in the positive at around \$300,000+ each.
- Public Works Solid Wastes (trash pick-up): The City looks to break-even at the two year mark and in the third year would have a positive cash flow of about \$200,000. The break-even is due to the need to purchase a new trash truck.

- Revenue and expenses with Mesa Del Sol annexation: Annual expenditure of \$2.1 million dollars and revenue from different sources of about \$3.1 million would leave \$1.0 million in the general fund.

Knight questioned whether the budget was being built upon the assumption that Mesa Del Sol would be annexed and stressed he would rather see a budget assuming no annexation since there is no guarantee. **Knight** stated that with the annexation comes liability and expenses.

Wilkinson responded that those numbers, along with the numbers for the Far West Water acquisition, are being kept separate from the budget at this time, but will need to be included in order to have the budget authority in 2020 if City Council decides to go forward. **Knight** expressed his concern with the Far West Water acquisition and stressed that he does not want the purchase to cost the residents of Yuma a penny.

Mayor Nicholls compared including these numbers in the budget to the inclusion of grant money in the budget.

Knight stated that bond money, which would be needed in the Far West Water acquisition, is paid for by everybody. **Wilkinson** informed City Council that this is not the case in this matter, and further explained that Water Infrastructure Finance Authority (WIFA) bonds would be used and paid for out of the Far West Water revenue. Far West Water would also be kept separate from the current City water and wastewater plants. **Wilkinson** stated that revenue sheets for the past four years have been reviewed and engineering assessments are being conducted. As these are finalized the numbers will solidify.

Knight stated that in his opinion he is not interested in acquiring Far West Water without the Mesa Del Sol annexation.

Mayor Nicholls stated he was concerned about having to approve a budget with those numbers unknown.

Thomas asked if the City could provide water to the Mesa Del Sol residents without the acquisition of Far West Water. **Wilkinson** stated no because water and sewer service areas are separate from City boundaries.

Thomas asked if Mesa Del Sol will need a Maintenance Improvement District. **Wilkinson** stated they already have several and they are incorporated in the paperwork with the plan to keep those in place and migrate them from the County to the City. **Wilkinson** stated if additional street lighting is wanted, an improvement district would need to be formed to pay for the additional lighting.

Thomas questioned how trash service would be handled. **Wilkinson** explained there will be up-front costs, but the City would break even in year two and be ahead in year three.

Thomas questioned public safety. **Wilkinson** stated that when looking at all the different revenue sources in the general fund that pay for police and fire, it is fairly certain what we will be collecting state-shared revenues, additional City sales tax and additional public safety tax

versus what we are projecting to expend. With the current figures known, we are anticipating approximately \$1 million a year.

Thomas then questioned roads. **Wilkinson** stated we are expected to receive just under \$1 million in additional funding to go to roads, between Highway User Revenue Fund (HURF) and road tax.

Shelton, acknowledging past facility problems with Far West Water and asked what funding source would be used to pay for repairs should there be a breakdown. **Wilkinson** replied that the repairs would come from the revenue generated from Far West Water customers. **Shelton** asked what would happen if a breakdown occurred early on. **Wilkinson** responded that the City would probably have to look at some sort of bonding to help cover the cost of a breakdown. However, the City is doing its due diligence by completing a walk-through of the facilities along with a complete engineering analysis of their systems so we have a good understanding of the condition of their facilities and what issues might arise.

Shelton expressed concern about the City overextending itself with the additional roads since maintaining existing roads is a current concern. **Wilkinson** replied that there is a pretty good projection of what is going to be needed as well as the revenue sources being looked at, but that will be part of the factor that City Council will have to consider when making the decision of whether to go forward or not.

Shelton asked when it can be anticipated that we will be looking at making a decision.

Wilkinson responded that although it depends on many factors, possibly late summer or fall for the Far West Water acquisition and anywhere from late 2019 to early 2020 for the Mesa Del Sol annexation, as the City is still waiting for State approval on the annexation.

Thomas asked about golf courses. **Wilkinson** stated, unless City Council wants to change its mind, he has not included the purchase of their golf courses in any discussions with Mesa del Sol.

Mayor Nicholls asked if the HURF assumes full restoration or if it just an incremental increase. **Marlin** responded that this number was provided by the League of Arizona Cities and Towns and believes it is pretty close to the full restoration amount. **Wilkinson** stated a contingency project was placed in the CIP for asphalt replacement and the number was bumped up in case a bill, that would plus-up the HURF funding by \$454,000, passes. This would allow the budget authority if in fact we do get the additional money.

Mayor Nicholls pointed out inconsistencies between the graph and the tables in regards to City Road Tax, Public Safety and Two percent. **Marlin** responded that it was possible that the graphs may be pulling the incorrect amounts, and clarified the correct numbers are in the tables.

McClendon again questioned why we could not reduce the [currently 20%] fund balance to cover the budget shortage versus the list of potential budget cuts offered at the beginning of the meeting. **McClendon** stated she has checked with other cities and the average fund balance they carry is around 17-18% and they still have a high bond rating. Very few are at 20%. **Wicks**

stated that his first question would be what is the percentage made up of? Most cities look at a percentage of expenditures. For the City of Yuma that target would be roughly \$16 million rather than the current \$14 million. So if we are going to compare between cities we have to make sure it is the same basis. Further, during the recession in 2008 the City of Yuma lost 30% of its general fund revenue in two years. If it was not for the significant fund balance the City carries it would have seen significant damage to its ability to maintain operations.

Discussion:

- The fund balance has been generated over 30-40 years in order to provide sufficient funds to manage just about any economic or physical occurrence. **(Wicks)**
- The lower our fund balance is the harder it is to borrow money. **(Wicks)**
- Comparing the fund balance of other Cities of similar size and like sales tax may be helpful in understanding why the 20% fund balance is recommended. **(Mayor Nicholls)**
- When comparing the City of Yuma with other cities it must be apples to apples in all categories including bond rating, property tax and sales tax. **(Thomas)**
- Lowering the fund balance only solves this year's problem. Keeping the existing bond rating and the City solvent is what is important. **(Knight)**
- It is critical for City Council to move to the maximum tax rate next year to keep the gap from continuing to grow. **(Knight/Wicks)**
- City Council had no choice but to raise the tax rate when faced with the \$2 million hit in the Public Safety Personnel Retirement System (PSPRS); the City is in essentially the same position now but it is just for a different reason. **(Wicks)**
- As the Greater Yuma Port Authority (GYPA) starts changing its mission from selling land to operating as a port authority that is something that would benefit our community and our economy. **(Shelton/Mayor Nicholls)**
- Reducing the Intergovernmental Public Transit Authority (IPTA) contribution would be significant as it is a matching amount that is put with Federal funds. **(Shelton/Wilkinson)**
- The function of 4FrontED deals with economic development outreach across the border. The Binational Coordinator requires a Bi-National trade skillset. **(Shelton/Mayor Nicholls)**
- The mall security detail is active between Thanksgiving and Christmas and is considered preventative during that specific timeframe. **(Shelton/Chief Smith)**
- Several businesses in the mall area already do employ off-duty security during the holidays. **(Mayor Nicholls/Chief Smith)**
- Installing cameras in the mall parking lot may be a better solution in the long run to do away with the expense of the mall security detail. **(Knight/Chief Smith)**
- A conversation will need to be had in regards to the Yuma County Fair traffic control and the fact that the Yuma County Sheriff's Office gets paid and the Yuma Police Department does not. **(Knight/Chief Smith)**
- Shelton favors continuing the support for the Yuma County Fair EMS services and the Silver Spur Rodeo EMS services as well as leaving the pools alone. **(Shelton)**
- It is doubtful Far West Water will want to postpone the purchase for another year. **(Knight/Wilkinson)**

- At this time the City is only establishing budget authority. The Mesa Del Sol annexation and the purchase of Far West Water is being timed with the 2020 census as revenue numbers are based upon population and the census is what drives the population.
(Wilkinson)

III. EXECUTIVE SESSION

Motion (Knight/Miller): To recess to Executive Session and return to open session. Voice vote: **adopted** 7-0. The meeting recessed at 6:45 p.m.

The meeting reconvened at 8:40 p.m. with **Mayor Nicholls** calling a Special City Council meeting for Friday, April 26th at 10:00 a.m.

There being no further business, **Mayor Nicholls** adjourned the meeting at 8:50 p.m.

Lynda L. Bushong, City Clerk

APPROVED:

Douglas J. Nicholls, Mayor