

**MINUTES**  
**SPECIAL CITY COUNCIL WORKSESSION**  
CITY COUNCIL OF THE CITY OF YUMA, ARIZONA  
CONFERENCE ROOM #190, YUMA CITY HALL  
ONE CITY PLAZA, YUMA, ARIZONA  
**APRIL 16, 2019**  
**4:00 PM**

**CALL TO ORDER**

**Mayor Nicholls** called the Special City Council Worksession to order at 4:05 p.m.

**ROLL CALL**

Councilmembers Present: Shelton, Watts, Thomas, Knight, McClendon, Miller and Mayor Nicholls  
Councilmembers Absent: None  
Staffmembers Present: City Administrator, Gregory K. Wilkinson  
Various Department Heads or their representative  
City Attorney, Richard W. Files  
City Clerk, Lynda L. Bushong

**I. OPENING REMARKS**

**Mayor Nicholls** stated that today begins the budget review process with the initial budget presentation and budget discussions. **Mayor Nicholls** suggested that this process is the single most important task of City Council and stressed the importance of being good stewards of the taxpayers money. **Mayor Nicholls** then turned the meeting over to Mr. Wilkinson.

**Wilkinson** advised that, from today's presentation, he is looking for guidance and feedback from City Council to fine tune the presented document and come up with a final budget. In addition to discussing topics from the retreat, **Wilkinson** stated that City Council will be setting the tax rates for the City's Maintenance Improvement Districts as part of the budget process, which is something that has not been done in the past. **Wilkinson** acknowledged that City Council received their Capital Improvement Program (CIP) books today. He noted that the CIP presentation would be held at the second meeting in May, allowing Council time to review their books. A CIP project for \$4.5 million labeled *asphalt replacement* establishes budget authority as there is a potential for additional Highway User Revenue Fund (HURF) funding through the State legislature as well as a potential for additional HURF funds which Wilkinson will brief the Council on later.

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

New Issues

Maintenance Improvement Districts (MIDs)

- For the first time, as part of the budget process, City Council will be setting the tax rates for the MIDs.
- Those tax rates will be based upon what it will cost to maintain those areas.
- In the first year a small percent above the set amount will be collected to establish a budget contingency that can be used in the event something comes up that would need to be fixed.

#### Police Department

- Added a full-time recruiter.
- Changed some of the Human Resources (HR) processes.
- Added signing bonuses.
- Moving expenses.
- Police Academy.

#### Fire Department

- Changed some HR processes.
- Added 3 additional Fire Fighters allowing for:
  - Overtime savings.
  - Vacation and other needed time off.
- Working with Arizona Western College (AWC) Fire Academy to get more cadets/candidates.
  - Currently only recruiting and hiring certified fire fighters that have already gone through training.

#### Contingencies

- Mesa Del Sol annexation.
- Far West Water purchase.

#### Fiscal Year 2020 Budget

- Personnel costs increase:
  - Pay Plans for both police and fire.
  - Labor Market Study (LMS) for the rest of the City employees.
- No increase in medical insurance premiums.
- Slight decrease in Public Safety Personnel Retirement System (PSPRS) annual cost.
  - Police increased - Fire decreased.
- Only six months of the year budgeted for the 2% pay raise for last year.
- 3% growth in sales tax – approximately \$225,000 projected for next year.
- Minimum Wage Increase:
  - Will increase to \$12.00 in January.
  - Each year that it goes up it affects more positions.
  - Is causing significant compression issues.
  - The City used to pay \$3-\$4 over minimum wage.
    - Current City pay is equal to other employers, which is causing a higher turnover.
- 2% increase of budget.
  - Mainly due to personnel costs.
  - Struggling to decrease to 1% overall.
    - Police, Fire, and Parks and Recreation may have to absorb more from their operation and maintenance budgets as some of the smaller departments do not have 1% to give.

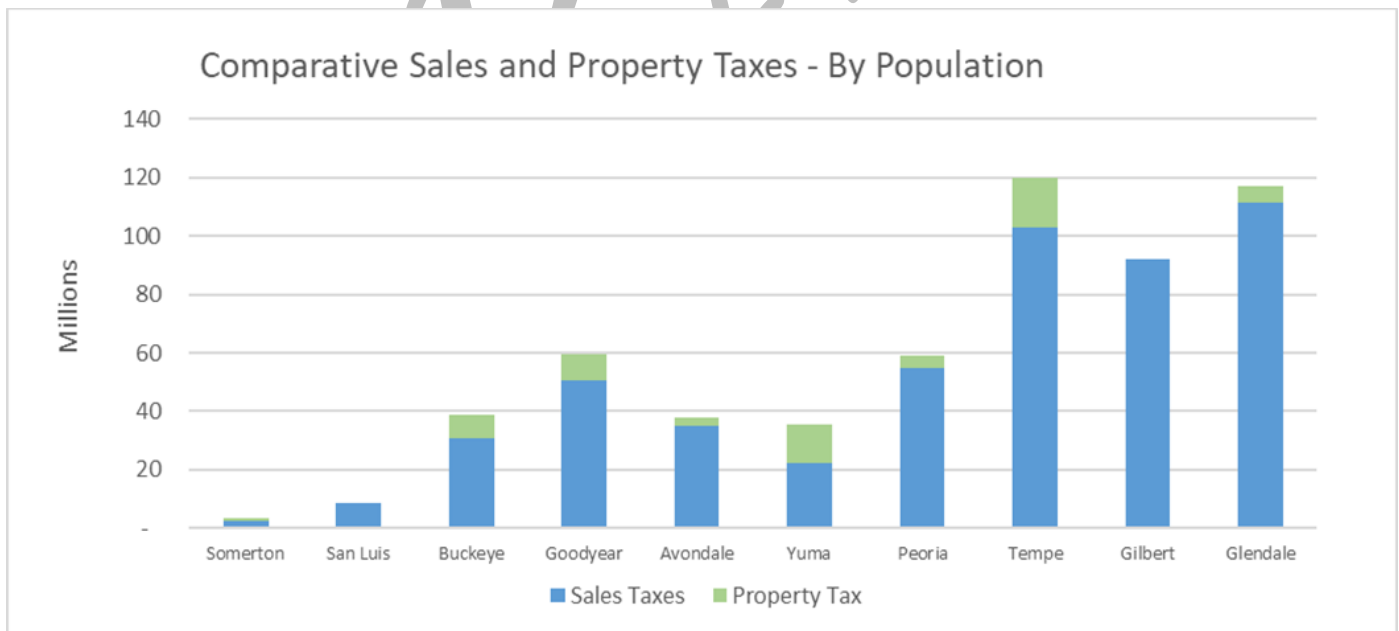
**Wilkinson** provided a tax rate comparison showing some of the obstacles the City is facing in regards to competitive wages. **Wilkinson** pointed out the sales tax rate column versus the general fund column, which is where personnel is paid from, and stated that the sales tax going into our general fund is among the lowest in the State making it extremely difficult to compete with equal wages.

### City Tax Rate Comparison

	2017	Sales Tax	General				Per Capita		
	Population	Rate	Fund				Prop	TPT	Total
Somerton	16,120	3.3%	3.3%	661,413	2,625,555	3,286,968	41	163	204
San Luis	32,446	4.0%	4.0%	-	8,529,700	8,529,700	-	263	263
Peoria	168,181	1.8%	1.1%	4,175,767	54,802,370	58,978,137	25	326	351
Yuma	95,502	1.7%	1.0%	13,102,142	22,453,000	35,555,142	137	235	372
Gilbert	242,354	1.5%	1.5%	-	92,000,000	92,000,000	-	380	380
Avondale	84,025	2.5%	1.50%	2,914,679	34,979,457	37,894,136	35	416	451
Glendale	246,709	2.9%	1.9%	5,759,711	111,206,621	116,966,332	23	451	474
Buckeye	68,453	3.0%	3.0%	7,779,824	30,900,000	38,679,824	114	451	565
Tempe	185,038	1.8%	1.2%	17,118,826	103,031,233	120,150,059	93	557	649
Goodyear	79,858	2.5%	2.5%	9,072,800	50,438,200	59,511,000	114	632	745

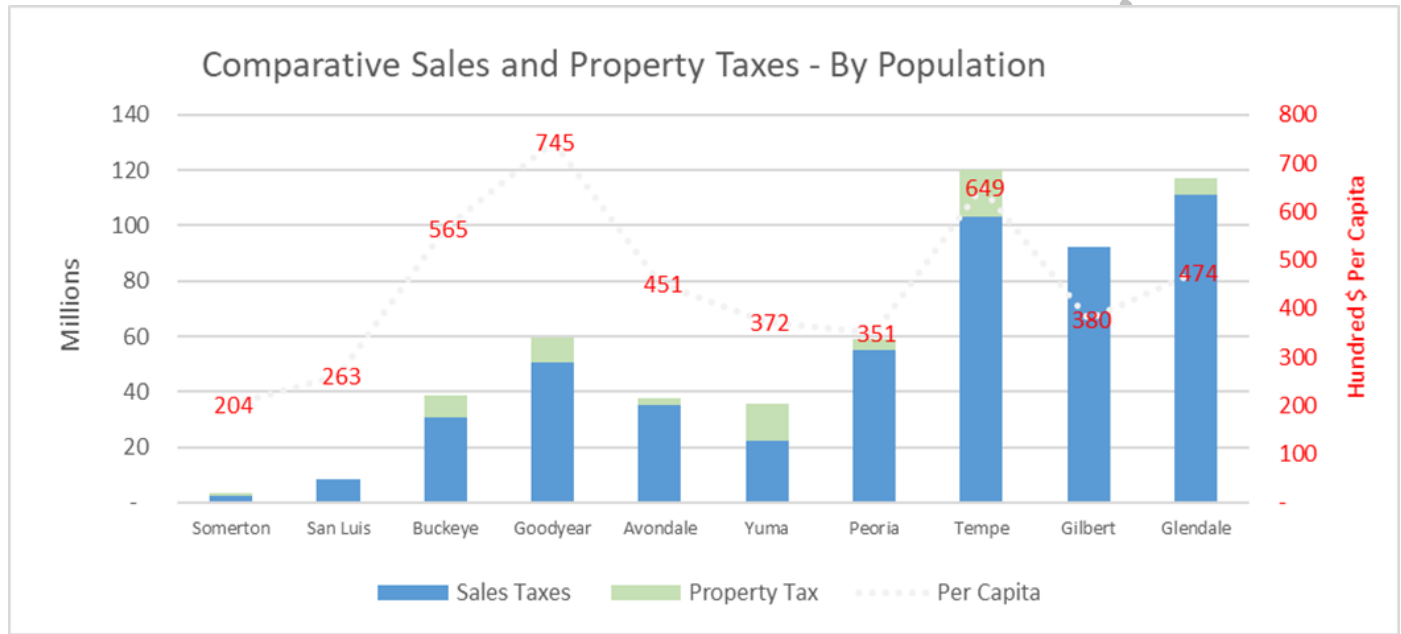
**Wilkinson** noted that comparing the sales and property tax by population shows where the City of Yuma fits in with some of the cities that we are trying to compete with and why we are having a hard time getting to the same salary numbers as they are.

### Comparison by Population



**Wilkinson** explained that the following chart shows the tax burden per person. In Yuma, there is a tax burden of \$372 per person versus Goodyear, which has the highest tax burden, at \$745 per person for both sales taxes and property tax.

By Population with Per Capita



**Wilkinson** pointed out the following from the general fund table shown below:

- The fund balance is slightly below 20%.
- The real problem is next year:
  - An advanced PSPRS payment of \$2.3 million will need to be made from the FY 2020-2021 budget.
- Still \$1.9 million short of where we need to be:
  - The Mesa Del Sol Annexation could help with additional sales tax revenues.
- Personnel numbers are the biggest change from last year to this year.
- Property tax levy would allow the City to potentially be where we need to be.
  - Impact to property owner would be \$9.00 per year on a \$200,000 home.

General Fund

GENERAL FUND	2017-2018 ACTUAL	2018-2019 BUDGET	2018-2019 ESTIMATE	2019-2020 BUDGET	2020-2021	2021-2022	2022-2023	2023-2024
					REVENUE & SPENDING PROJECTION			
Unassigned Fund Balance July 1,	16,898,280	18,026,259	20,378,166	18,291,846	15,078,541	13,805,905	11,833,056	10,192,330
Sources:								
Estimated Revenues	72,910,590	74,318,164	73,132,527	77,027,754	78,711,817	80,438,366	82,208,535	84,023,491
Public Safety Retirement Credit Reserve		-	(2,315,654)		2,315,654			
Total Sources	72,910,590	74,318,164	70,816,873	77,027,754	81,027,471	80,438,366	82,208,535	84,023,491
Uses:								
Expenditures								
Personnel	55,563,437	60,059,726	58,359,816	63,723,684	64,998,158	66,298,105	67,624,082	68,976,565
Operating	8,783,074	12,214,305	9,592,119	11,246,295	11,358,761	11,472,313	11,587,063	11,702,926
Capital Outlay	471,075	364,370	329,548	456,300	350,000	350,000	350,000	350,000
Capital Improvements	-	-	-	198,392	973,392	50,000	50,000	50,000
Total Expenditures	64,817,586	72,638,401	68,281,483	75,624,671	77,680,311	78,170,418	79,611,145	81,079,491
Transfers Out:								
Yuma Mall Maintenance Fund	121,372	134,691	130,582	129,171	128,000	131,592	132,823	134,055
Debt Service Fund	4,109,823	4,109,205	4,109,205	4,105,294	4,109,874	4,109,205	4,105,294	4,110,055
Equipment Replacement Fund	381,923	381,923	381,923	381,923	381,923	-	-	-
Total Transfers Out	4,613,118	4,625,819	4,621,710	4,616,388	4,619,797	4,240,797	4,238,117	4,244,110
Total Uses	69,430,704	77,264,220	72,903,193	80,241,059	82,300,108	82,411,215	83,849,262	85,323,601
Unassigned Fund Balance June 30,	20,378,166	15,080,203	18,291,846	15,078,541	13,805,905	11,833,056	10,192,330	8,892,219
Drawdown of Fund balance			(2,086,320)	(3,213,305)	(1,272,637)	(1,972,849)	(1,640,726)	(1,300,111)
Target Fund Bal.			14,626,505	15,405,551	15,742,363	16,087,673	16,441,707	16,804,698
Above (Below) Target			3,665,341	(327,009)	(1,936,459)	(4,254,617)	(6,249,377)	(7,912,479)
			25.01%	19.58%	17.54%	14.71%	12.40%	10.58%

**Wilkinson** stated that approximately \$1 million (almost 8%) was cut out of ongoing maintenance operations, in order to get to where the budget is today. **Wilkinson** pointed out the following:

- An unbudgeted election in the amount of \$100,000 and the moving of Security Systems (cameras etc.) to Administration in the amount of \$20,000 explain the increase of budget in City Administration.
- Information Technology (IT) in General Government is the biggest cost saving by changing its philosophy from buying to leasing:
  - Two separate leases; one for the servers and one for individual PC's over a 5-year term
    - Equipment buy back the end of the term is \$1.

## General Fund Operating Budget

FundName	ExpCategory	DeptName	Values				Change in Budget	% Chg
			2018 Actual	2019 Budget	2019 Estimate	2020 Budget		
001-General Fund			8,814,241	12,214,305	9,591,802	11,246,295	(968,010)	(7.93)%
	Operating		8,814,241	12,214,305	9,591,802	11,246,295	(968,010)	(7.93)%
		01-Mayor and Council	130,641	162,597	141,638	144,858	(17,739)	(10.91)%
		02-Municipal Court	392,978	415,395	413,694	428,558	13,163	3.2%
		10-City Administration	951,395	1,093,637	1,042,777	1,221,690	128,053	11.7%
		13-City Attorney	374,125	442,809	429,920	433,417	(9,392)	(2.12)%
		15-Information Tech Service:	775,496	833,737	879,571	612,677	(221,060)	(26.51)%
		17-Finance	337,174	429,834	422,495	437,305	7,471	1.7%
		19-Human Resources	223,367	265,176	248,651	270,729	5,553	2.1%
		20-General Government	545,748	2,857,348	596,317	1,848,004	(1,009,344)	(35.32)%
		30-Community Developmen	449,480	485,931	472,748	497,295	11,364	2.3%
		42-Engineering	30,885	33,497	32,397	27,669	(5,828)	(17.40)%
		50-Parks and Recreation	2,820,551	3,098,984	2,994,043	3,104,898	5,914	0.2%
		60-Police	3,506,949	3,753,317	3,560,930	3,843,976	90,659	2.4%
		70-Fire	2,213,886	2,280,476	2,295,054	2,313,652	33,176	1.5%
		80-Cost Allocation	(3,938,434)	(3,938,433)	(3,938,433)	(3,938,433)	-	-
Grand Total			8,814,241	12,214,305	9,591,802	11,246,295	(968,010)	(7.93)%

**Wilkinson** concluded his presentation by stating cuts to programs and services would need to be considered, if additional cuts are needed.

## Discussion

- The cost to lease equipment over a period of time versus buying equipment up front is about the same. **(Shelton/Wilkinson)**
- Due to the advancement of technology, the length of time the equipment will be kept at the end of the lease is undecided. **(Shelton/Wilkinson)**
- Reduction of the 20% fund balance has not been considered as it would impact bond ratings and could be a further deterrent to the potentially difficult FY2020 budget. **(McClendon/Wilkinson)**
- Bond ratings set forth the viability of the City to meet its obligations. The City must have a history of making sure that resources are available to cover the debt issued. In order to meet those obligations and to improve the bond rating overall, the City needs to show that it has a reasonable fund balance. **(McClendon/Wicks)**
- In the 2008 recession, the City would have suffered more significantly if it were not for the fund balance. **(McClendon/Wicks)**
- If the fund balance is left alone, the only options are to cut services and programs and/or raise taxes in order to continue moving forward assuming the budget is 100% paid out. **(Wicks/McClendon)**
  - 100% of the budget is never spent. Personnel attrition alone, which in the general fund represents almost 80% of the budget, is fairly significant. It is that kind of savings that makes up the difference. If the City were to approach 100% spending of the budget then revenues would have to rise or the budget would have to drop. **(McClendon/Wicks)**
- Keeping the 20% fund balance and preserving our bond rating saves taxpayers in the end. Property taxes and the Truth In Taxation rate need to be discussed especially since City Council has already gone on record supporting a pay plan for public safety and personnel. **(Thomas)**

- Maintaining a high bond rating is equally important with the possibility of the Far West Water acquisition and the Mesa Del Sol annexation as well as the expansion of the Desert Dunes facility. **(Knight)**
- Setting the rate for MID's is strictly a cost recovery with maybe a small contingency for storm damage. The funding from MID's work like an Enterprise Fund, meaning the money can only be spent in that District. **(Shelton/Wilkinson)**
- Regarding annexation, expenditure limitations on general operations should not be an issue in terms of our budget. **(Shelton/Wilkinson/Wicks)**
- Expenses for emergencies such as storms would come out of our fund balance and, if necessary, CIP projects can be cancelled if needed. **(Shelton/Wilkinson)**
- This budget includes a property tax increase that amounts to \$9 on a \$200,000 home. **(Knight)**
- The numbers showing the benefit and feasibility of annexing Mesa Del Sol are still being put together. **(Knight/Wilkinson)**
- Programs in Parks and Recreation would have to be cut if the majority of City Council elects to not raise property taxes. **(McClendon/Wilkinson)**
- Not raising property taxes would change the budget numbers significantly. **(McClendon/Wilkinson)**
- The draft budget will include the Truth In Taxation rate. We are at a point where we either increase property taxes or we cut programs. **(Thomas/Wilkinson)**
- It's not likely that we can make the budget work without the property tax increase. **(Watts)**
- Knight acknowledged the work that has been put into the budget thus far and would like to see the budget come to City Council as is to begin working on it. **(Knight)**
- The pay plan as previously approved is in this budget for Public Safety and regular employees. **(Knight/Wilkinson)**
- The starting point direction for the budget would be what is put together thus far. **(Mayor Nicholls/Wilkinson)**
- Bio-solids may be a viable long-term way to supplement the general fund. Issues include the start-up cost (\$6 million) and whether those monies could even come into the general fund versus the wastewater fund. **(Shelton/Wilkinson)**
- Protecting citizens is paramount and something Thomas keeps in mind when looking at the budget. **(Thomas)**
- The County's tax rate is something Thomas will look into when voting on the budget this year. **(Thomas)**
- Budget books could be available by Thursday afternoon or, if not, on Friday. **(Miller/Wilkinson)**

### **III. EXECUTIVE SESSION - No Executive Session was held.**

#### **ADJOURNMENT**

Being no further business, **Mayor Nicholls** adjourned the meeting at 5:08 p.m.

APPROVED:

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Lynda L. Bushong, City Clerk

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Douglas J. Nicholls, Mayor