

MINUTES
REGULAR CITY COUNCIL WORKSESSION
CITY COUNCIL OF THE CITY OF YUMA, ARIZONA
CITY COUNCIL CHAMBERS - YUMA CITY HALL
ONE CITY PLAZA, YUMA, ARIZONA
May 19, 2026
5:30 p.m.

CALL TO ORDER

Mayor Nicholls called the Regular City Council Worksession to order at 5:31 p.m.

Councilmembers Present: Martinez, Morris, McClendon, Smith, Morales, Watts, and Mayor Nicholls
Councilmembers Absent: None
Staffmembers Present: Acting City Administrator, John D. Simonton
Finance Director, Douglas Allen
CIP Administrator, Sue Cowey
Director of Parks and Recreation, Eric Urfer
Fire Chief, John Louser
Director of Engineering, David Wostenberg
Director of Community Development, Alyssa Linville
Various department heads or their representatives
Deputy City Attorney, Rodney Short
Acting City Clerk, Janet L. Pierson

I. VISIT YUMA ANNUAL PRESENTATION

Marcus Carney, Executive Director, presented the Visit Yuma annual update as follows:

- Introduction and Strategic Priorities
 - Visit Yuma is exploring additional tourism funding opportunities, including support for Arizona’s proposed Tourism Improvement Area (TIA) legislation.
 - A 2023 strategic planning process identified priorities such as destination enhancement, downtown and riverfront revitalization, community branding, and organizational growth.
 - Visit Yuma operates as a 501(c)(6) focused on representing community and tourism interests.
- Membership and Visitor Services
 - Visit Yuma has approximately 250 members representing hotels, restaurants, attractions, RV parks, and other tourism-related businesses.
 - The Visitor Information Center serves approximately 10,000 visitors annually by providing trip planning assistance, dining recommendations, and local information.
- Tourism Sales and Marketing
 - Sports and Group Tourism
 - Sports tourism remains a major focus, particularly efforts to attract tournaments during slower tourism months.
 - Visit Yuma also works with bus tour operators and travel companies, with some bookings already scheduled through 2027.
 - Advertising and Influencer Outreach
 - Marketing efforts include social media, digital advertising, billboards, visitor publications, and partnerships with influencers.

- Collaborations with local creators and national travel influencers help promote Yuma to broader audiences.
- A featured partnership with accessibility travel influencer “Downs and Towns” brought positive national attention to Yuma.
- Arizona Office of Tourism Collaboration
 - Partnerships with the Arizona Office of Tourism have expanded in recent years, resulting in additional promotional opportunities and statewide exposure for Yuma.
- Visitor Guides and Community Partnerships
 - Visitor publications were redesigned into smaller, specialized guides focused on dining, itineraries, and visitor experiences.
 - Partnerships with the Yuma Union High School District include student photography projects highlighting younger perspectives of the community.
 - Visit Yuma also hosts major community events, including the Electric Light Parade, which attracts approximately 40,000 attendees annually.
- Community Branding and Development
 - Community branding efforts aim to create a unified message about what makes Yuma unique while complementing existing City and organizational branding.
 - Visit Yuma participates in the Greater Yuma Marketing Group alongside organizations such as the City, Greater Yuma Economic Development Corporation, and Onvida Health to support workforce recruitment and economic development.
 - America 250 initiatives and statewide tourism partnerships have helped increase Yuma’s visibility across Arizona.
- Community Beautification and Recognition
 - “Our Community, Our Yuma” was created to help residents organize beautification and cleanup projects by reducing logistical barriers.
 - Visit Yuma also supports the Yuma Sun’s “Sunshine Award” program recognizing frontline hospitality and customer service workers.
- Tourism Industry Trends and Economic Impact
 - Tourism was reported to reduce the local tax burden by approximately \$822 per household annually.
 - Yuma currently has approximately 45 hotels and nearly 400 additional hotel rooms compared to the previous year, increasing competition among hotels.
 - Vacation rentals through Airbnb and VRBO have also increased significantly since before COVID-19.
- TIA Legislation
 - House Bill 2950, the proposed TIA legislation, had passed the Arizona House and was awaiting further action.
 - If approved, the program could generate an estimated \$3-5 million annually for tourism marketing, event support, and regional attraction efforts.

Discussion

- Visit Yuma operates as a membership organization with approximately 250 paying members. Membership levels vary, with fees generally starting around \$200 annually, while hotels pay additional amounts based on room count and event space. Because Visit Yuma is funded through the 2% hospitality tax, priority is given to businesses such as hotels, restaurants, and bars that directly contribute to tourism-related funding. **(Mayor Nicholls/Carney)**

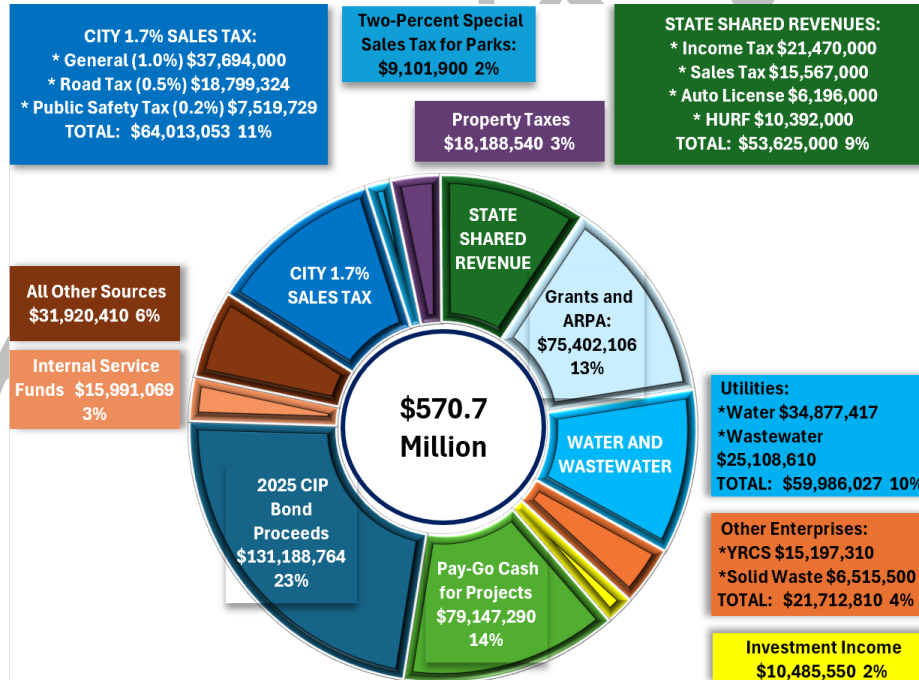
- Efforts to advance TIA legislation are being led primarily by the Arizona Lodging and Tourism Association, along with tourism partners from Phoenix, Mesa, and Scottsdale. Similar legislation has already been adopted in 22 states and more than 200 communities nationwide. Visit Yuma noted that these partnerships have been especially valuable because larger cities have lobbyists and resources helping draft and advocate for the legislation. **(Mayor Nicholls/ Carney)**
- Interest in filming in Yuma has increased following the passage of Arizona film tax incentives in 2024. While Arizona’s incentives are reportedly smaller than those offered in states such as Utah and Texas, they have still helped generate additional interest in filming projects locally. It was also noted that film industry tax incentives remain a major political and economic issue in California, particularly in Los Angeles, where proposed changes to incentives could impact where productions choose to film in the future. **(Mayor Nicholls/Carney)**
- State grant funding received in 2021-2022 helped create the “Hello, I’m Yuma” marketing campaign and related promotional materials. Additional emphasis was placed on expanding billboard and marketing efforts through initiatives such as the Greater Yuma Marketing Group in order to better promote positive developments and community assets. **(Morales/Carney)**
- Hotel managers and RV park operators are generally met with at least once annually, along with additional informal conversations throughout the year. Feedback from the hospitality industry has indicated that recent hotel growth, including approximately 400 additional rooms citywide, has created increased competition and softer occupancy rates for many properties. Increased activity at the Pacific Avenue Athletic Complex (PAAC), additional sports tourism, and more visitation during shoulder seasons were identified as key opportunities to help drive hotel traffic and improve tourism performance. **(Morales/Carney)**
- Some sports tournaments did not return after COVID due to inconsistent follow-up, scheduling and availability conflicts, and limited ongoing outreach to tournament organizers. Current efforts are focused on reconnecting with previous organizers, attending sports-focused conferences, and strengthening coordination with the Parks and Recreation Department to help rebuild those relationships and attract future events. **(Morales/Carney)**
- Continued feedback from tournament organizers regarding desired amenities, facility improvements, and other needs could help guide future budget planning and capital improvement projects to better support and expand activity at the PAAC. **(Morales/Carney)**
- Coordination between Visit Yuma and the City’s development of beautification and volunteer initiatives could help avoid duplication and strengthen collaboration with local volunteer groups and community partners. **(Morales/Carney)**
- Some local hotels offer summer staycation promotions and specials, although those efforts vary by property and individual marketing strategies. Tourism marketing efforts generally focus on attracting travelers passing between Phoenix and San Diego, while also encouraging increased local and regional visitation during slower travel periods. Economic softness among travelers has also contributed to reduced tourism demand. **(Watts/Carney)**
- Hotel occupancy in Yuma typically reaches 90-100% during peak winter months but declines significantly during the summer, with occupancy rates sometimes dropping into the 35-50% range in July and August. Sunday through Thursday occupancy tends to remain stronger throughout the year, while weekends are comparatively weaker. Increasing visitation during shoulder and summer seasons remains a major priority, as unsold hotel rooms cannot be recovered once the night passes. **(Watts/Carney)**

- The need for more consistent and reliable tourism data is an important regional priority, particularly as tourism continues to play a significant role in the local economy. More detailed year-to-year data on winter visitors, tourism trends, and visitor spending could help better measure economic impacts, strengthen future TIA efforts, and guide more targeted marketing strategies. **(Mayor Nicholls/Carney)**
- Additional tourism funding could support expanded research efforts, including regular visitor intercept studies and updated winter visitor analyses, which have not been conducted comprehensively in several years. Current tourism insights rely heavily on informal feedback and observations, highlighting the need for more routine and data-driven analysis moving forward. **(Mayor Nicholls/Carney)**

II. PROPOSED BUDGET OVERVIEW

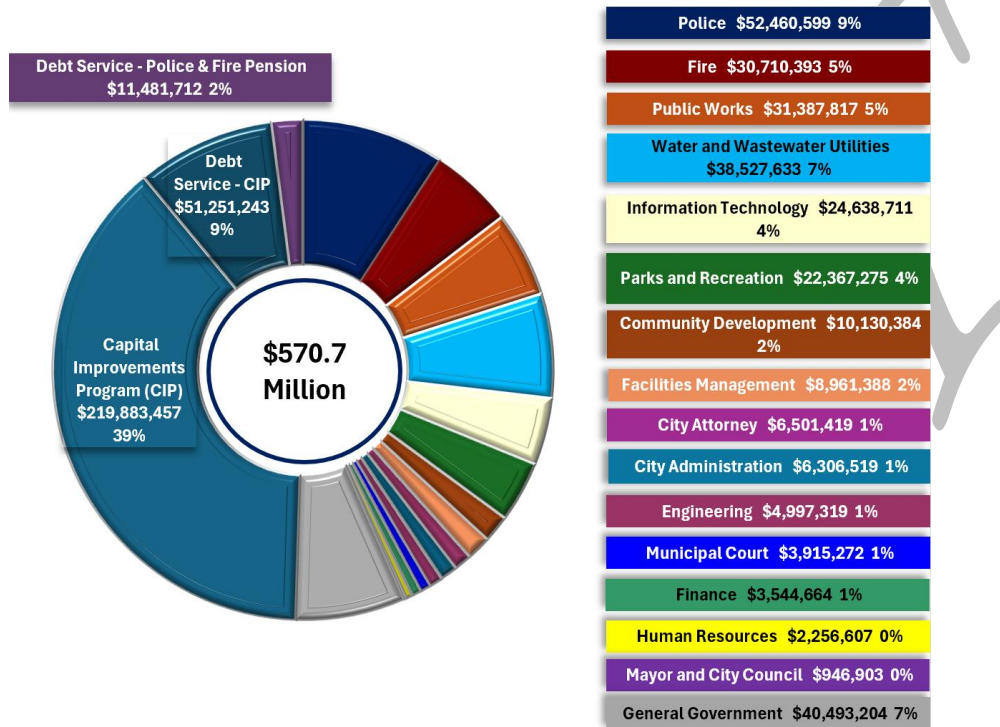
Allen presented an overview of the proposed Fiscal Year (FY) 2027 budget as follows:

- Overview
 - The proposed FY 2027 budget includes approximately \$570 million in total expenditures. A planned adjustment will reduce expenditures by approximately \$4 million to reflect updated bond carryover calculations.
- Sources
 - The City's primary revenue sources include sales taxes, property taxes, state-shared revenues, the Highway User Revenue Fund (HURF), and enterprise fund revenues. These revenues support operations across multiple funds and departments throughout the organization.



- Parks and Recreation funding has shifted from being primarily supported by the dedicated 2% tax to being more heavily supported by the General Fund. Bond repayment obligations are also now being funded through the General Fund.

- General Fund recurring revenues are projected at approximately \$123 million, while operating expenditures are projected at approximately \$121 million. Maintaining recurring revenues above operating expenditures is important to maintaining a balanced budget.
- Expenditures
 - Total General Fund expenditures include contingency funding, with approximately \$14.5 million reserved for unforeseen needs. The goal is to avoid using contingency funds unless necessary.



- Assigned fund balances are reserved for specific purposes, including public safety retirement obligations, major equipment purchases, supply chain delays, debt repayment, and capital financing needs.
- After accounting for assigned reserves, the General Fund's unassigned fund balance is projected to be approximately \$28.3 million, representing about 22% of annual expenditures.

Simonton provided the following fund overview:

- General Fund
 - The General Fund is evaluated by comparing recurring revenues to operating expenditures, with the goal of ensuring recurring revenues exceed ongoing operating costs. Operating expenditures include personnel costs, day-to-day departmental operations, and capital outlay such as major equipment purchases.
 - For FY 2027, recurring General Fund revenues are projected at approximately \$123 million, while operating expenditures are projected at approximately \$121 million, resulting in a positive operating balance.
 - Total expenditures also include approximately \$14.5 million in contingency funding, which is reserved for unforeseen needs and is not expected to be fully utilized.

- Fund Balances
 - Many General Fund balances are assigned for specific purposes and are not available for general spending. These include reserves for Public Safety Personnel Retirement System (PSPRS) obligations, major equipment purchases, supply chain delays, debt repayment, and capital financing.
 - Some assigned reserves are held for projects with long lead times, such as fire apparatus purchases, where funds must remain available until equipment is delivered several years after being ordered.
 - The City also maintains reserves to ensure debt obligations can continue to be paid during economic downturns or periods of reduced revenue.
 - After accounting for all assigned reserves, the projected unassigned General Fund balance is approximately \$28.3 million, representing about 22% of annual expenditures and aligning with the City's reserve target.

Discussion

- The reserve for supply chain delays fluctuates from year to year based on the purchase and delivery of major equipment. Funds remain reserved until equipment is received, causing the balance to increase with new orders and decrease as deliveries are completed. **(Morales/Simonton)**

Simonton continued his presentation as follows:

- Capital Improvement Bonds 2025
 - Capital improvement bond funds are shown within each applicable fund to identify bond proceeds that have been allocated but not yet spent.

Allen explained that the \$4 million adjustment to the downtown capital improvements will not affect the Capital Improvement Program (CIP) projects or have any long-term impact.

FY 2027 TOTAL EXPENDITURES			
Recommended Changes from Proposed Budget to Derive the Tentative Budget	General Fund (combined)	All Other Funds	Total Budget
Proposed Budget	\$ 149,117,109	\$ 421,645,410	\$ 570,762,519
Capital Improvement Plan (CIP)			(4,000,000)
Adjust Downtown Improvements (GF) Capital Improvements to current estimated bond carry-forward amount	(4,000,000)		
Reclassify General Fund bond CIP as a "Capital Project Fund" for the State Forms Schedules A-G and City's Financial Statements	(7,148,294)	7,148,294	
Tentative Budget	\$ 137,968,815	\$ 428,793,704	\$ 566,762,519
Worksheet tracks changes from the Proposed Budget summaries to the Tentative and Final Budgets			
FY 2027 TOTAL APPROPRIATED SOURCES			
Recommended Changes from Proposed Budget to Derive the Tentative Budget	General Fund	Other Sources	Total Budget
Proposed Budget	\$ 149,117,109	\$ 421,645,410	\$ 570,762,519
Adjust Sales tax revenue for FY 2026 and FY 2027 in the:			-
Road Tax Fund: FY 2026 \$18,521,000 and FY 2027 \$18,847,000	-	47,676	
Public Safety Tax Fund: FY 2026 \$7,408,400 and FY 2027 \$7,538,800	-	19,071	
Offset by Planned Use of carry-forward fund balances	-	(66,747)	
Reduce carry-forward bond proceeds for Capital Improvements:			(4,000,000)
Adjust Downtown Improvements (GF) Capital Improvements	(4,000,000)		
Tentative Budget	\$ 145,117,109	\$ 421,645,410	\$ 566,762,519
Worksheet tracks changes from the Proposed Budget summaries to the Tentative and Final Budgets			

Simonton continued the fund overview with the following information:

- **HURF**
 - Funded primarily through the state gasoline tax, HURF is projected to remain relatively flat despite continued population growth and increased roadway use.
 - HURF revenues are based on gallons of fuel purchased rather than the price of fuel, meaning revenue does not automatically increase when gas prices rise.
 - The growing number of electric and hybrid vehicles may further reduce gasoline tax revenues over time, and the state may eventually need to consider alternative transportation funding mechanisms.
 - The City plans to utilize nearly all available HURF funding this year because HURF expenditures are exempt from state expenditure limitations.
 - Additional Public Works and street maintenance costs have been shifted from the road tax fund into HURF to help address expenditure limitation challenges.
 - If voters approve the proposed expenditure limitation adjustment, some costs may be shifted back to the road tax fund in future years, allowing the HURF fund balance to be rebuilt.
- **City Road Tax Fund**
 - The road tax is a dedicated half-cent sales tax collected on purchases made within the city.
 - Road tax revenues are projected to remain stable, with approximately 2% annual growth consistent with other local sales tax revenues.
 - The road tax supports a significant portion of Public Works operations, including street maintenance activities, personnel costs, and operating expenses.
 - The fund also supports capital purchases, including vehicles and equipment needed for the City's new alley maintenance program.
 - Like HURF, road tax expenditures are exempt from state expenditure limitations.
 - Road tax funding continues to support some CIP projects, although at a lower level than in previous years. Current road-related capital projects are being funded primarily through bond proceeds rather than road tax revenues.
 - The budget includes approximately \$30 million in capital improvement bond funding dedicated to roadway projects, reflecting continued use of bond financing approved by voters to advance transportation infrastructure improvements.
 - The City expects to spend a significant portion of the available roadway bond funding during the current fiscal year.
- **Public Safety Tax Fund**
 - The Public Safety Tax is a dedicated sales tax of two-tenths of one cent that funds public safety equipment, capital purchases, and related infrastructure needs.
 - Public Safety Tax revenues cannot be used to fund personnel costs, which must be paid from the General Fund.
 - Unlike some other funding sources, Public Safety Tax expenditures are subject to state expenditure limitations. As a result, relatively few CIP projects are funded directly through the Public Safety Tax this year.
 - Most public safety-related CIP projects are being funded through bond proceeds, with approximately \$11 million in bond funding allocated for public safety capital improvements.
- **Two Percent Tax Fund**
 - The Two Percent Tax Fund, which supports many Parks and Recreation Department operations, has experienced financial pressure due to softer hotel-related tax revenues and increasing operating costs.

- To help stabilize the fund, operations and revenues associated with the Art Center and Civic Center have been shifted back to the General Fund. These facilities were originally funded through the General Fund before being moved to the Two Percent Tax Fund during the Great Recession.
- The projected fund balance for next year is approximately \$71,000, making it a fund that will require close monitoring in future years.
- Ongoing operational costs, capital improvement needs, the opening of East Mesa Community Park, and future recreation facilities will continue to place demands on the fund.
- Most Parks and Recreation capital projects included in the current budget year are being funded through bond proceeds rather than the Two Percent Tax Fund.
- **Mall Maintenance Fund**
 - The Mall Maintenance Fund supports maintenance and upkeep of the downtown area through a dedicated property tax district.
 - Annual revenue generated by the district is approximately \$170,000, while maintenance costs total approximately \$420,000, requiring the General Fund to cover the remaining balance.
 - The concentration of County-owned buildings downtown places additional financial pressure on the district because those properties do not contribute to the assessment that funds downtown maintenance.
 - Continuing General Fund support helps maintain downtown services without placing an unsustainable tax burden on private property owners within the district.
- **Grants, Donations and Settlements**
 - Grant funding continues to be a significant component of the City's overall budget and capital program.
 - The City budgets grant expenditures based on the assumption that all awarded grant funds will be utilized, even though actual spending often occurs over multiple years as projects advance.
 - Approximately \$80 million in grant funding was budgeted in the previous year, while actual expenditures are projected to be about \$18 million.
 - More than \$70 million in grant-funded expenditures are currently budgeted for the upcoming fiscal year, with actual spending expected to increase as major projects such as the Multimodal Transportation Center and other grant-funded initiatives move forward.
 - Of the City's approximately \$570 million budget, more than \$70 million is tied to grant funding, highlighting the significant role grants play in supporting City projects and infrastructure investments.
- **American Rescue Plan Act (ARPA) Fund**
 - All remaining ARPA funding is expected to be spent during the current fiscal year in order to meet federal spending deadlines.
 - ARPA funds must be fully expended by the end of calendar year 2027.
 - The remaining ARPA funding balance is being dedicated primarily to the East Mesa Community Park project.
- **Debt Service Fund**
 - Total debt service expenditures across all City funds are projected to be approximately \$43 million in the upcoming fiscal year.
 - The increase from approximately \$28 million to \$43 million is primarily attributable to bonds issued during the previous year.

- A significant portion of the General Fund bond debt consists of short-term, two-year bonds, which is expected to result in a substantial decrease in General Fund debt service costs after the next fiscal year.
- Development Fee Capital Projects
 - Development impact fees continue to be collected and spent on eligible CIP projects in accordance with legal requirements.
 - A recent audit reviewed the City's use of development fees and confirmed that the funds are being spent appropriately on qualifying infrastructure projects.
- Water Fund
 - The Water Fund was described as financially healthy, with a strong fund balance. Because water fund expenditures are subject to state expenditure limitations, relatively little water-related CIP spending is occurring directly from the fund at this time, although approximately \$20 million in bond-funded water projects are planned for the upcoming fiscal year.
 - Once expenditure limitation issues are addressed, additional water infrastructure projects are expected to move forward, including new wells and other system improvements that have already been identified for future years.
 - Water capacity fees continue to be collected and have historically been used to support debt service payments associated with the Agua Viva Water Treatment Facility project.
- Wastewater Fund
 - The Wastewater Fund remains financially stable, with revenues and fund balances remaining consistent. Although the system serves fewer customers than the water utility, current reserves are considered adequate to address upcoming infrastructure needs.
 - Wastewater capacity fee revenues are being used to fund the Desert Dunes Water Reclamation Facility expansion project, which was identified as an appropriate use of those accumulated funds. Once the expansion is completed, the fund will primarily be used to support debt service associated with the project.
 - Desert Dunes is expected to be completed in April 2027, at which point the associated project fund is expected to be fully utilized.
 - Approximately \$21 million in wastewater infrastructure projects are planned to be funded through wastewater bond proceeds during the upcoming fiscal year.
- Solid Waste Fund
 - The Solid Waste Fund is an enterprise fund supported by user fees and includes a built-in annual rate increase of approximately 3%, resulting in modest revenue growth each year.
 - The fund is financially healthy and sufficient to support ongoing solid waste operations and service needs.
 - No new solid waste collection truck is planned for purchase this year. New trucks, routes, and drivers are typically added every two to three years as customer growth creates demand for expanded service.
 - Because no major equipment purchases are planned this year, the fund balance is expected to remain strong.
- Yuma Regional Communications System (YRCS)
 - YRCS is funded through subscription fees paid by agencies that use the radio system, with each connected radio generating a fee.
 - Participating agencies include Yuma County, the Sheriff's Office, local municipalities, and other regional partners that utilize the system.
 - The City manages the operation on behalf of all participating agencies, but the system is funded collectively by its users.

- YRCS also relies heavily on grant funding, making grants an important component of its overall financial structure.
- Equipment Replacement Fund
 - The Equipment Replacement Fund functions as a prepayment program for vehicle and equipment replacement. Departments pay annual contributions into the fund so that sufficient funding is available when vehicles, fire apparatus, police units, or other equipment reach the end of their useful lives.
 - The fund also generates investment earnings, which help support future replacement costs. Approximately \$9 million in equipment replacement expenditures are anticipated in the upcoming year.
 - Equipment replacement expenditures are exempt from state expenditure limitations because the associated costs were recognized in prior years when contributions were made to the fund.
- Equipment Maintenance Fund
 - The Equipment Maintenance Fund operates similarly, with departments paying annual fees to support the operation of the City's fleet maintenance program.
 - These contributions help cover the ongoing maintenance and repair costs of City vehicles and equipment, allowing routine fleet maintenance expenses to be funded in advance.

Allen presented the following information on Municipal Improvement Districts (MIDs):

- MIDs are tracked separately from other City funds because each district operates independently and City Council serves as the governing board for each MID.
- Property taxes are not levied immediately when a MID is created. The City initially provides an interest-free loan to cover maintenance costs, and property taxes are gradually implemented after expenditures begin and development occurs.
- Tax rates are phased in as developments build out in order to avoid placing the full maintenance burden on a small number of early property owners.
- Once a development is substantially or fully built out, tax revenues are used to repay the City's loan and support ongoing maintenance costs. Some districts, such as Desert Sky, have fully repaid their loans.
- MID reports include information on expenditures, tax rates, assessed valuations, revenues, fund balances, and historical trends to help evaluate the financial condition of each district.
- As assessed valuations increase through development growth, tax rates may be reduced while still generating sufficient revenue to maintain district services.
- Districts with growing fund balances may see future tax rate reductions, while districts with negative or declining balances are monitored and adjusted over time to restore financial stability.

Discussion

- MIDs function similarly to Homeowners Associations (HOAs) for certain public areas, funding the maintenance of parkways, subdivision entrances, retention basins, and detention basins within a development. **(Morales/Allen)**
- MID funds are used for landscape maintenance and upkeep of these common areas but cannot be used for amenities that would typically be the responsibility of a HOA, such as pools or other private recreational facilities. **(Morales/Short)**

- Particularly on the east side of town, landscaping maintenance can be complicated by blowing sand from adjacent undeveloped properties. In some cases, landscaping installation may be delayed until surrounding development occurs to avoid damage and unnecessary costs. **(Morales/Simonton)**
- Routine landscape maintenance in MID areas is funded through the district, while excessive sand removal or similar issues may be addressed as part of regular City operations rather than being charged directly to the MID. **(Morales/Simonton)**
- Sales tax revenue projections are developed by analyzing individual tax categories, such as retail sales, internet sales, utilities, and groceries, rather than relying solely on overall year-to-year growth. Each category is evaluated based on historical trends and economic forecasts, with the resulting projections combined to estimate overall sales tax growth. **(Morris/Allen)**
- State-shared revenue projections use a different methodology that considers factors such as population growth, statewide tax collections, inflation, and income trends. Short-term projections are supported by estimates provided by the League of Arizona Cities and Towns, while longer-term forecasts become more difficult to predict accurately. **(Morris/Allen)**
- Utility fee revenue projections are based primarily on the City's adopted rate study and scheduled rate adjustments rather than assumptions about future growth. While staff monitors development activity and new utility connections, revenue from new customers is not heavily relied upon in the budget because connection activity can fluctuate significantly from year to year. **(Morris/Allen)**
- A conservative approach is used when forecasting utility revenues, allowing additional growth and new connections to strengthen fund balances rather than being assumed as a guaranteed revenue source. This approach also helps maintain required financial ratios and bond rating standards, which are reviewed regularly to ensure the utilities remain financially stable. **(Morris/Simonton)**
- The Mall Maintenance District is funded through property taxes, and County-owned buildings do not contribute because government properties are exempt from property taxes. As a result, the City covers a larger share of downtown maintenance costs through the General Fund, while efforts to secure voluntary county contributions have had limited success. **(Mayor Nicholls/Smith/Allen/Simonton)**
- Potential grant funding is included in the budget so the City can spend the funds if they are awarded, as state law generally requires revenues and expenditures to be budgeted before they can be used. If a grant is not received, the City does not spend the money, and the related project typically does not move forward. **(Mayor Nicholls/Allen)**
- The City's expenditure limitation continues to significantly constrain the budget, even after accounting for exemptions such as bond proceeds, grants, HURF revenues, and internal service funds. For the current year, those exemptions still leave the City approximately \$30 million above its expenditure limitation, requiring the use of interest earnings, carryforward capacity from prior years, and budget savings to remain compliant. **(Mayor Nicholls/Allen)**
- If voters do not approve the proposed expenditure limitation adjustment, the City can temporarily rely on remaining carry-forward capacity and interest-related exemptions, but those resources are finite. Once those options are exhausted, the City would need to consider additional measures such as increasing reliance on bond financing, reducing services, delaying projects, or identifying other budget reductions to stay within the legal expenditure limit. **(Mayor Nicholls/Allen)**

Allen concluded the presentation as follows:

- Several amendments were identified following the previous budget review, including a \$4 million adjustment to remove bond carryover funds that could otherwise be counted twice. This change affects the General Fund and total budget figures but does not affect project budgets.

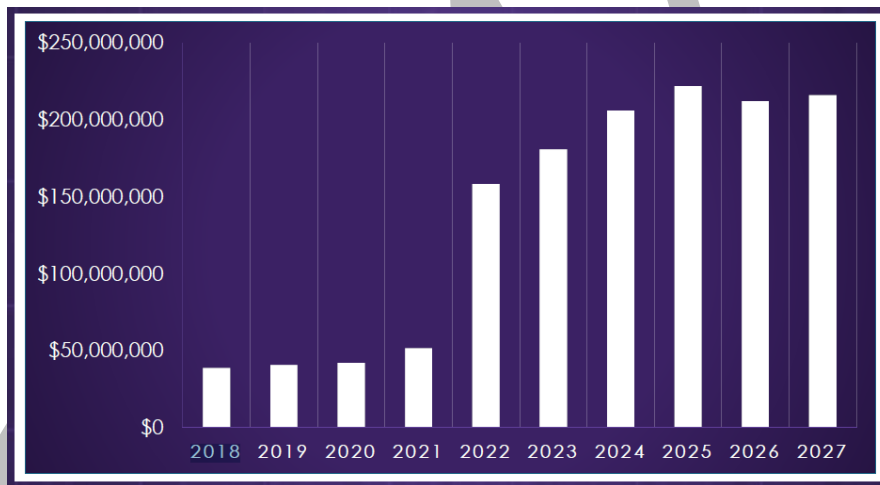
- Additional accounting adjustments were made to separate bond funds from operating funds so they align with state reporting requirements. This clarification affects how funds are displayed but does not change the underlying budget.
- Minor revenue estimate adjustments were also made to certain tax revenues as part of final budget calculations. Revenue projections remain estimates and are monitored through quarterly budget updates to account for changing economic conditions.
- The tentative budget scheduled for adoption establishes the maximum allowable expenditure level for the fiscal year. While funds may still be reallocated among departments and budget categories before final adoption, the total expenditure amount cannot be increased beyond the tentative budget amount.
- A public hearing on the budget, property tax levy, and solid waste revenues is scheduled for June 17. Additional budget adjustments may be made before final adoption, provided the overall expenditure ceiling is not increased.
- The proposed total budget is approximately \$566 million and has been structured to comply with the City's expenditure limitation requirements.
- The proposed property tax levy is approximately \$18 million and is based on maintaining the same tax rate as the prior year. The proposed rate remains below the maximum allowable levy, and City Council retains the ability to reduce the rate before final adoption.

III. FY 2027 CAPITAL IMPROVEMENT PROGRAM

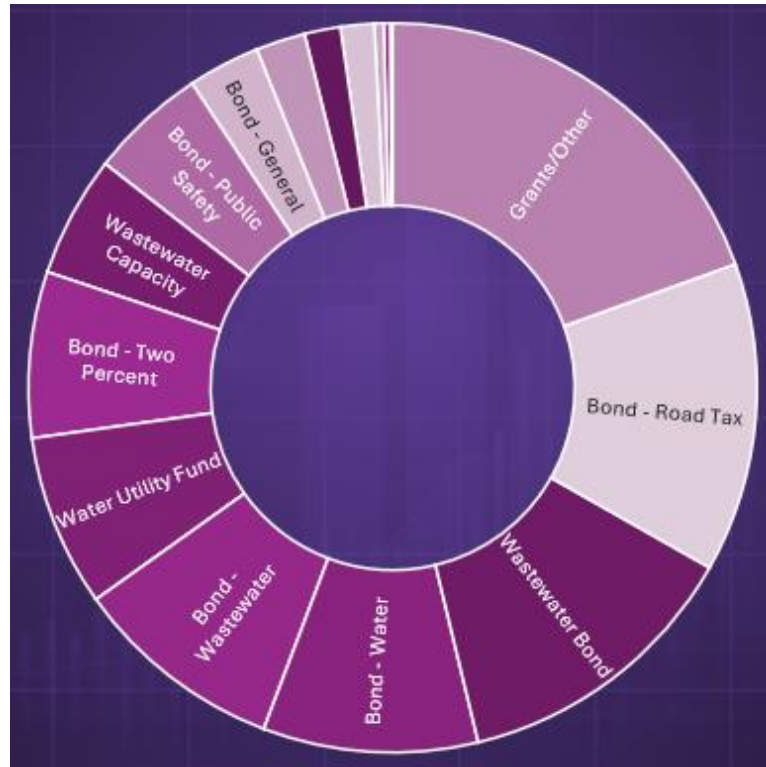
Cowey presented the proposed CIP for FY 2027-FY 2031 as follows:

- What is Capital Improvement?
 - New construction
 - Improves an existing assets
 - Equipment purchasing
 - Minimum value of \$25,000
- Program Development
 - January-April
 - Funding projection
 - Fund allocation
 - Program review
 - May-June
 - Proposed plan presented for City Council and public review
 - City Council public hearing
 - City Council consideration and adoption
 - July-December
 - Project status review
 - Priority setting
 - Department coordination
- FY 2027-2031 Schedule
 - May 1 – Proposed CIP to city Council
 - May 6 – Proposed CIP to City Clerk, website, and Public Works
 - May 20 – Public hearing

- Framework for FY 2027-2031
 - The CIP is guided by City Council’s adopted strategic priorities and long-term planning objectives.
 - Projects within the FY 2027-2031 CIP are evaluated based on infrastructure needs, available funding, and alignment with broader community goals and service priorities.
 - The proposed program addresses both immediate organizational needs and longer-term planning efforts intended to guide future coordination and investment decisions.
 - Infrastructure investments are aligned with strategic outcomes such as public safety, economic development, quality of life, community connectivity, responsible stewardship of public resources, and long-term sustainability.
- Ten-Year Capital Allocation History
 - The CIP showed significant growth beginning around fiscal year 2022, largely driven by major infrastructure investments, including the Desert Dunes project and funding received through ARPA.
 - The proposed fiscal year 2027 CIP includes approximately \$216 million in planned capital investments across all funding sources and departments.
 - Since publication of the CIP book, the overall program has been reduced by \$4 million through a decrease to the contingency fund identified on page 67 of the CIP plan book. No individual projects were impacted by the adjustment.



- FY 2027 Funding Sources
 - The CIP is funded through a combination of bonds, utility revenues, development impact fees, dedicated taxes, grants, reimbursements, and partnership opportunities.
 - Many funding sources are legally restricted and may only be used for the specific purposes for which they were collected.
 - Development impact fees help offset the impacts of growth and support infrastructure expansion needed to maintain community service levels.
 - Dedicated tax revenues support investments related to roadways, public safety, parks, tourism, and other quality-of-life initiatives.
 - Grants and reimbursement opportunities continue to play an important role in supplementing local revenues and expanding the City’s ability to complete infrastructure improvements.
 - Revenue and bond funding secured during the current year provided additional flexibility within the CIP and helped address ongoing expenditure limitation challenges.



- Funding Notes
 - The CIP serves as City Council’s legislative policy direction for funding, constructing, and maintaining capital improvement projects in the upcoming year.
 - CIP priorities are established by balancing available financial resources against community and infrastructure needs.
 - In recent years, infrastructure and service needs have significantly exceeded available funding resources.
 - Approval of the CIP reflects City Council’s decisions regarding which projects and priorities will receive limited funding resources.
 - The CIP also reflects decisions not to allocate funding toward other projects or needs due to limited available resources.
- Investments Supporting Growth and Future Development
 - Transportation
 - 40th Street Capacity Increase
 - Approximately \$6 million has already been invested in improvements along 40th Street, with additional work planned in future years of the CIP.
 - Improvements to 40th Street are expected to significantly support development activity and growth in the eastern portion of the community.
 - 28th Street Capacity Increase
 - This project, located between 45th Avenue and Avenue B, is nearing completion.
 - Improvements to 28th Street included roadway widening to three lanes, installation of street lighting, and construction of a new signalized intersection.

- Wastewater Infrastructure
 - Wastewater infrastructure projects, including the Desert Dunes Water Reclamation Facility Capacity Increase and 4E Sewer Line Extension projects, are intended to support future community growth through expanded system capacity.
 - Utility infrastructure projects must often be completed well in advance of development in order to ensure adequate service capacity is available when growth occurs.
 - These types of improvements are considered critical to supporting long-term development and maintaining reliable utility services throughout the community.
- Grant Funded Projects
 - Construction of the East Mesa Community Park is estimated to be funded approximately 79% through grants rather than City funds.
 - The East Mesa Community Park project was intentionally designed with flexibility so additional features could be added as new grant opportunities became available.
 - Additional grant funding and community partnerships allowed Parks and Recreation staff to expand the scope of amenities included in the park project.
 - Improvements to Desert Hills Golf Course were also supported primarily through grant funding, with approximately 60% of project costs covered by grants.
 - Construction of the recently approved Multimodal Transportation Center is estimated to be funded approximately 80% through grants.
 - Grant funding is a critical factor in making many large-scale infrastructure and community improvement projects financially possible.
- Public Safety
 - The long-planned Police Evidence Storage Facility project was recently completed after remaining on the City's project list for many years. The project was partially funded through a federal earmark and is expected to provide significant operational benefits to the Police Department.
 - The Emergency Dispatch Backup Center project is intended to provide critical operational support during emergencies, including situations involving power or grid failures, and was also partially funded through grant opportunities.
- Infrastructure Preservation and Facility Improvements
 - Infrastructure preservation and facility improvement projects form a core component of the CIP and include projects such as:
 - Pavement Replacement Program
 - Water Main Replacement Program
 - Citywide Manhole Rehabilitation
 - Facility Rehabilitation and Lifecycle Improvements
 - Civic Center HVAC Re-piping
 - Park and Public Facility Improvements
 - Transportation, water, and wastewater infrastructure projects focus on preserving and rehabilitating critical systems that support daily operations and essential public services.
 - Investments in roadway, water, and wastewater infrastructure are intended to improve system reliability, extend the useful life of assets, and reduce long-term maintenance costs.

- Facility improvement projects support the maintenance and rehabilitation of City buildings, parks, and other public assets.
- These investments are intended to improve operational efficiency, extend facility life, and maintain safe and reliable environments for both City staff and the public.

Discussion

- The proposed Innovation Hub is currently funded only for land acquisition and a feasibility study. Construction costs have not yet been included in the CIP because the project scope, design, and estimated costs have not been determined. Once the feasibility study is completed and project costs are known, future phases may be incorporated into subsequent CIP updates. Similar planning approaches are being used for other projects, including the proposed aquatics facility. **(Morales/Simonton)**
- The CIP is both a one-year budget document and a longer-term planning tool that provides a tentative vision for future projects. Projects in future CIP years are forecasts rather than approved budgets, and major projects are generally not programmed until feasibility studies, designs, and more reliable cost estimates are completed. **(Morales/Simonton)**
- The East Mesa Community Park is being developed in phases. Phase 1, which includes the lake and supporting infrastructure necessary for the overall buildout, is expected to be completed in October. Phase 2 includes soccer fields, basketball courts, pickleball courts, tennis courts, and other amenities that were identified through the community planning process. While Phase 2 is currently programmed for 2031, completion will depend on future funding availability, bonding capacity, and grant opportunities. A future dog park phase is also being pursued through additional grant funding. **(Morales/Urfer)**
- The proposed Fire Station 8 project is intended to be coordinated with the expected arrival of Engine 8, which is currently anticipated around 2030. The project would require planning, design, and construction phases before becoming operational, with construction expected to take several years. **(Martinez/Cowey/Louser)**
- The estimated project cost for Fire Station 8 is approximately \$14 million, but the funding has not yet been secured. The City's traditional approach for projects of this size is to issue bonds and repay them using public safety tax revenues. Because the current public safety tax is scheduled to expire in 2037, extending that revenue source will likely be necessary before bonds can be issued for Fire Station 8 and other major public safety facilities. Future discussions may include seeking voter approval to extend the tax in order to support long-term public safety infrastructure needs. **(Martinez/Simonton)**

IV. LEGISLATIVE UPDATE

Short presented information regarding State and Federal legislative guiding principles, priorities, and strategies as well as the status of proposed actions affecting the City as follows:

- City Council's Guiding Legislative Principles
 - Support legislation that protects and enhances the City Council's ability to efficiently serve Yuma residents and visitors in a cost-effective manner
 - Protect local decision-making
 - Protect local revenues and mandates that are unfunded
 - Protect the City's water rights and support water remaining in the region

- State Legislature Important Items/Dates
 - Seven bill limit for each elected State Legislator
 - February 20 – Last day for bills in committee
 - February 23 – Cross-Over Week
 - Record number of bills and “strike everything” amendments
 - April 17 – Last Day for Conference Committees
 - April 21 – 100th Day of Session
 - June 30 at 11:59 p.m. – Budget deadline
- City Council’s State Legislative Priorities
 - Maintain shared, voter-approved local revenues
 - Maintain the directed revenue sources
 - Preserve local authority over local taxation
 - Preserve and expand local economic development and job-creation
 - Preserve and expand support for public safety
 - Preserve and expand local growth and housing
 - Preserve and expand investments in infrastructure, quality of life, and community investment
 - Protect local water rights for City of Yuma and region
- Local Preemptions
 - Senate Concurrent Resolution (SCR) 2016
 - Preempts town or city councils and county supervisors from adjusting any local rate, fee, or tax. Formerly House Bill 4030 / House Concurrent Resolution 2052.
 - Senate Bill (SB) 1431
 - Preempts town or city councils and county supervisors on local residential standards in planned communities.
- 911 funding
 - Arizona's 911 system is funded through a statewide excise tax on telephone lines and is administered at the state level, while local agencies operate the Public Safety Answering Points. The current funding structure was established in 2001 when the tax was expanded to cell phones but reduced from 37 cents to 20 cents per line. Arizona has not adjusted the rate since then, despite most other states increasing theirs over time.
 - The 911 fund is currently facing an estimated 35% shortfall and has moved into a deficit position after its reserve balance was depleted. Similar concerns emerged around 2018-2019, although temporary pandemic-related funding helped stabilize the program for a period.
 - Local agencies have indicated they can absorb the current reduction in funding, but the situation is not considered sustainable long term. State leaders have directed budget officials, public safety organizations, local government groups, and other stakeholders to determine the actual funding need and develop recommendations for a long-term solution.
 - Legislative action is anticipated to address the funding gap, potentially through an increase to the 911 excise tax. This issue is a statewide responsibility that requires a statewide funding solution rather than shifting the burden to local governments.
- Colorado River Update
 - Negotiations regarding post-2026 Colorado River operating guidelines have advanced significantly, with the Lower Basin states of Arizona, California, and Nevada reaching a proposed agreement after years of limited cooperation. The proposal includes approximately three million acre-feet of water conservation measures, combining previously agreed reductions with additional proposed cuts.

- The proposed framework would shorten the planning horizon from 20 years to 10 years, with reviews every two years. Future management decisions would rely more heavily on actual hydrologic conditions and water availability rather than long-term assumptions.
- A major component of the proposal involves improved accounting and measurement of water use in the Upper Basin, where some tributary flows and water storage practices have historically not been tracked as comprehensively as they are in the Lower Basin. The proposal also includes provisions intended to recognize and protect tribal water rights that have not yet been fully allocated throughout the Colorado River system.
- The proposal would extend restrictions on withdrawals from Intentionally Created Surplus accounts through 2036 due to continuing water shortages. California entities, including the Imperial Irrigation District, are seeking greater participation in conservation programs in exchange for contributing additional water savings.
- Responsibility for managing water storage would become more clearly divided between the Upper and Lower Basin states. The Upper Basin would be expected to ensure sufficient water reaches Lake Powell, while the Lower Basin would focus on managing Lake Mead and downstream supplies.
- The proposal has been well received by federal officials, but the Upper Basin states have not yet formally responded. Despite ongoing uncertainty, current assessments indicate that Yuma-area water users are well positioned due to long-term planning, conservation efforts, and existing contingency measures, with no immediate concerns requiring significant changes in local water management.

V. REGULAR CITY COUNCIL MEETING AGENDA OF MAY 20, 2026

Motion Consent Agenda Item C.2 – Bid Rejection: Main Street Water Treatment Plant Filters 9, 10, 11, & 12 Rehabilitation and Upgrades Phase 3 (Pursuant to the Yuma City Code § 36-36, reject the bid received for the Main Street Water Treatment Plant Filters 9, 10, 11, and 12 Rehabilitation/Upgrades Phase 3 project due to the bid exceeding the allocated amount for the Capital Improvement Project.) (RFB-26-200) (Eng)

Discussion

- The Main Street Water Treatment Plant filter project received only one bid, which exceeded the engineer's estimate by more than \$3 million. Other contractors with experience on similar City projects were contacted and indicated they were currently overextended and unable to submit bids. However, those contractors estimated their pricing would likely have been closer to \$3.5 to \$3.7 million. Staff plans to coordinate with contractors before rebidding the project to help ensure additional participation and more competitive pricing. **(Watts/Wostenberg)**

Resolution R2026-016 – Development Fee Deferral: Santana Unit 1 Subdivision (Authorize an agreement to defer City of Yuma development fees and water and sewer capacity charges for Santana Unit 1 Subdivision, and to collect a \$500.00 administrative fee for the deferral agreement. The effective term of the deferral agreement is three years from date of execution.) (Eng)

Resolution R2026-017 – Development Fee Deferral: Santana Unit 2 Subdivision (Authorize an agreement to defer City of Yuma development fees and water and sewer capacity charges for Santana Unit 2 Subdivision, and to collect a \$500.00 administrative fee for the deferral agreement. The effective term of the deferral agreement is three years from date of execution.) (Eng)

Resolution R2026-018 – Development Fee Deferral: Santana Unit 3 Subdivision (Authorize an agreement to defer City of Yuma development fees and water and sewer capacity charges for Santana Unit 3 Subdivision, and to collect a \$500.00 administrative fee for the deferral agreement. The effective term of the deferral agreement is three years from date of execution.) (Eng)

Discussion

- Development fee deferral agreements are a longstanding and common City practice for subdivision development projects. Rather than requiring developers to pay water and sewer capacity fees at the time a subdivision plat is recorded, the agreements allow those fees to be deferred until later in the development process, generally when meters are set or building permits are issued. (**Morales/Wostenberg**)
- The City has used similar deferral agreements since at least the Great Recession and many developers routinely request them, although some builders choose not to defer fees if homes are selling quickly. (**Morales/Simonton/Wostenberg**)
- The development fee deferral program applies regardless of whether a project is market-rate or affordable housing. The fees are not waived or forgiven; payment is simply delayed until a later point in the development process. Smaller affordable housing projects involving only one or two units may not use the deferral process because utility fees are typically paid at the time of connection. Confusion appears to stem from a misunderstanding between a fee deferral and a fee waiver. (**Watts/Wostenberg**)

Resolution R2026-019 – Major General Plan Amendment: 1912 S. Arizona Avenue (Following a public hearing, approve the request to amend the City of Yuma General Plan to change the land use designation from Low Density Residential to High Density Residential, for the property located at 1912 S. Arizona Avenue.) (GP-44756-2025) (DCD)

Morris declared a conflict of interest on Resolution R2026-019 as his firm was involved in the design process for the project and left the dais.

Discussion

- The property is currently zoned commercial, which allows multifamily residential development in conjunction with a business use through a Conditional Use Permit. The original plan included a real estate property management office as part of the development, but the applicant is now requesting to convert that planned commercial unit into an additional residential unit in order to create a fully residential development. (**Watts/Linville**)

Morris returned to the dais.

VI. EXECUTIVE SESSION/ADJOURNMENT

There being no further business, **Mayor Nicholls** adjourned the meeting at 8:12 p.m. No Executive Session was held

Janet L. Pierson, Acting City Clerk

APPROVED:

Douglas J. Nicholls, Mayor

Approved at the City Council Meeting of:

Acting City Clerk: _____

DRAFT