

**MINUTES**  
**SPECIAL WORKSESSION/ROUNDTABLE**  
CITY COUNCIL OF THE CITY OF YUMA, ARIZONA  
CONFERENCE ROOM 190, YUMA CITY HALL  
ONE CITY PLAZA, YUMA, ARIZONA  
**May 25, 2011**  
**2:00 p.m.**

**CALL TO ORDER**

**Mayor Krieger** called the City Council meeting to order.

Councilmembers Present: Stuart, Mendoza, Beeson, McClendon, Brooks, Johnson and Mayor Krieger  
Councilmembers Absent: none  
Staffmembers Present: City Administrator, Gregory K. Wilkinson  
Director of Financial Services, Pat Wicks  
Various Department Heads or their representative  
City Clerk, Lynda L. Bushong

**I. CITY OF YUMA 2010-11 AND 2011-12 BUDGETS**

**Wilkinson** stated the proposed budget is balanced and nearly mirrors last year, with adjustments made for increased cost of medical premiums. The City has been on a pay freeze for over 3 years; therefore, is planning the following to implement a reclassification study, which will reduce the number of job classification from over 270 and open up job ranges by the combining job classifications. In addition, the City intends on lifting the pay freeze; taking care of the employees is the first priority.

**Wicks** presented an overview of the proposed budget by reviewing certain sections and pages in the document entitled: *Preliminary Budget, City of Yuma, Arizona, Fiscal Year 2011-2012*. The City would be meeting its target by having an ending fund balance equal to 20% of revenues. Significant changes in revenue include:

- A 3% increase in sales tax through the end of the fiscal year.
- A roughly 3% increase in State sales tax.
- A decrease in State Revenue Sharing/Income Taxes. Note: This does not reflect a reduction in the State's economy; this number is based on revenues that are two years old.
- State Revenue Sharing has dropped from \$11.5 million two years ago to \$7.8 million for next year.

Expenditures in the General Fund:

- Fiscal Year 2010-2011 Operating budget of \$57,657,000
- Fiscal Year 2011-2012 Operating Budget of \$52,703,000
  - The Operating Budget includes personnel costs, operating costs, debt service and capital outlay.

- Changes in personnel costs include:
  - A 5% increase to health care costs by the Yuma Area Benefit Consortium (YABC) board.
  - Increased retirement costs due to the legislature and the personnel boards raising rates to account for changes in the financing of the retirement systems.
- Changes in operating costs include:
  - The Intergovernmental Service Charge, which is a method the City charges out from the general fund to other funds for certain administrative costs.
  - Higher computer software maintenance fees
  - Increase in the capital equipment plan – primarily for the Fire Department.

#### Property tax

- A Truth-In-Taxation hearing will be held prior to the final budget adoption to give City Council an idea of the impact the proposed changes to the property tax will have on the taxpayers.
- The State determines what the maximum tax rate will be for a given year.
  - This is the first time in 30-years that the value of property within the City dropped.
  - Accordingly, the maximum tax rate went up from \$1.46 to \$1.61.
  - The City's tax levy would increase from \$9.8 million to \$10.2 million with the new tax rate.
- Use of the maximum tax rate is recommended.
  - The City included \$200,000 in general government contingency for the potential use of incentives for industry.
  - The State Legislature forced the City's maximum rate down since the City did not levy full amounts a few years ago.

#### Discussion

**Johnson** asked if the 5% increase in the City's health insurance applies to family coverage as well. **Wicks:** Yes. **Johnson:** Is the retirement percentage increase what makes up the \$3 million dollar difference? **Wicks:** The amount reflects the employer portion only, which has gone up. **Johnson:** The end result is that even though pay rates have stayed the same for 3.5 to 4 years, employees have actually seen a cut in take home pay.

**Wicks:** Yes, it is true that employees have suffered in their net pay. However, in regards to the retirement system, that money will be returned to them when they retire - making it more of an investment. There hasn't been an increase in the health insurance rates in four years, and they were expected to increase this year by 16%. However, part of limiting the increase to 5% was the change in co-insurance level from 85% to 80%. As an alternative, the City has added a new plan this year called the High Deductible Health Plan (HDHP). The HDHP is a higher risk on the part of the employee. The premiums are lower, but they go towards the employee's health savings account which can be used for themselves, or any covered dependent, for medical purposes. Members of the Yuma Area Benefit Consortium (YABC) include: the City of Yuma,

Arizona Western College, Yuma School District One and Crane School District; YABC has full control over the costs with regards to premiums, but no control over the costs with regards to claims. With the HDHP there were no decreases in the co-insurance, leaving it at 85%, and no increase in the deductible or the rates.

**Johnson** agreed that a 5% increase on health premiums over a 3 or 4 year period is miraculous, but wants to drive home the point that over these last 3 or 4 years the employees have been taking a cut in their net take-home pay every year. Our first objective should be to get the employees back to what their take home pay was before the cuts started. **Wilkinson** explained that the initial goal is to do a classification study at the beginning of the fiscal year, watch revenues, and then consider implementing a pay plan in the second half of the fiscal year.

#### Highway User Revenue Fund (HURF)

- FY2011-2012 is estimated to be down \$5.9 million from \$6.8 million.
- Revenues have decreased, therefore, expenditures have decreased
  - This tax is based on gallons, not price; demand is down due to higher prices
  - The Legislature continues to raid this fund for the Department of Public Safety; however, the Legislature is expected to stop taking as much money from HURF
- Currently, there is no Capital Improvement Project (CIP) funding coming out of HURF for the streets, and has not for several years.
- Personnel costs have been taken out of HURF and moved back into the Road Fund to keep operations moving.

#### Local Transportation Assistance Fund (LTAF)

- Currently there is no funding available through LTAF, which is lottery money. However, if LTAF money is received it will be spent through the Intergovernmental Public Transit Authority (IPTA) for transit.
- Any LTAF II money received is also intended for transit.

#### City Road Tax Fund (½% Sales Tax)

- There is an anticipated 3% growth for FY2010-2011, but flat for FY2011-2012.
- Expenditures were between \$4.5 million to \$5.2 million.
- Capital Improvements are maintaining \$2 million and is projected to remain at \$2 million in the foreseeable future, which is very little compared to the needed road work.
- The \$67 million 2007 Bond Issue will taper off after several years and the road fund will have ½ of its resources spent building roads and the remaining money is targeted on various projects.

#### Public Safety Tax Fund (.2% Privilege License Tax)

- Includes a small amount of personnel related costs from the CIP.
- Current debt being paid is related to the 2007 Bond Issue; previously, it was to build facilities such as the Police Station, Courts, and Fire Stations.
- In 2010, the taxpayers agreed to extend the tax to maintain and create facilities, and to purchase new equipment; the tax originally expired in 2015.

#### Recreation Complex Fund

- This fund accounts for the financial activity of the Recreation Complex: the Civic Center and Baseball Complex.
- Annual \$1.5 Million transfer into the fund from the Two Percent Tax Fund.
  - Expenditures include maintaining the Civic Center and Baseball Complex.
  - More costs will be seen from a CIP standpoint as the City starts to maintain the Civic Center Building on a higher level or, at the minimum, to return it to its normal level.

#### Two Percent Tax Fund

- Each month over the past year, hotels have been occupied by contractors and military personnel creating a dramatic increase in the fund especially for last month.
- A slightly higher increase has been projected for next year.
- The fund supports:
  - Parks and Recreation.
    - Desert Hills Golf Course is now paid off and will no longer require a fund transfer.
  - Arts and Culture
  - Yuma Art Center, which was previously paid out of the General Fund but moved to 2% to maintain the General Fund's target.
    - It was originally anticipated that the Art Center be moved back into the general fund; however, that would have been difficult to accomplish this year and still sustain fund integrity.
    - The Art Center will continue to operate out of the 2% fund next year, as the language of the ballot cover Arts & Culture activities.
  - Riverfront Development Agreement, which includes a 10-year payout for the property; however that number changed from the anticipated figure of \$440,200 to \$557,000 during the remaining term of the 10 years due to the Certificate of Occupancy being issued late, and the agreement called for a change in the pay-out amount to allow for a faster pay off once the certificate was issued.
  - Other permissible items as stated in the approved ballot language that renewed the tax.
- There has been an increase in the overall expenditure over the last couple of years, but it is relatively stable going into the next fiscal year.

#### Mall Maintenance Fund

- During last fiscal year's budget process, there was a substantial increase in the value of the property, as the Yuma County Assessor determined the mall properties were overlooked.
- Up until this point, the City has had the same tax rate of \$4.77 for the last 10-15 years.
- With the mall property values increasing and the tax rate at the same, the levy automatically increased.
  - As a result, there has been a surge of tax payments that hasn't been seen in the past.

- The rate should have been reduced last year by recognizing the change in value and not having done that we have increased the tax level to the mall merchants.
  - To cover that, the City does subsidize the downtown effort and will pay most of its anticipated transfer from the General Fund.
  - As a result, there will be a fund balance next year that will roll over into the coming year.
- The City is recommending a tax rate decrease from \$4.77 down to \$2.64, which would generate the same amount of tax and will not require a subsidy from the General Fund for 1 year due to the fund balance; however, in the following year, there will be a zero balance in the fund.
- The City will watch the values of what used to be a very slowly growing tax base.
- The following year's tax rate can't be determined at this point, but it might go up the second year around.

**Beeson** asked if the City anticipates a declined level of service. **Wilkinson** stated that he has met with the downtown merchants and there were several things they requested, such as decreasing blowing on the sidewalks in the morning. The City will continue to maintain the vegetation, trash, and event clean up; in addition, Public Works will continue to clean the streets. There will be another meeting in about three weeks to discuss how to manage Heritage Festivals in the future and resolve other issues. The key is to reduce the property tax, and the City has come to an agreement with the merchants that they will be paying the same amount in property taxes that they did two years ago.

**Beeson** stated that the reduction of their property tax is important. However, he has heard the expected level of service isn't there. **Wilkinson** stated that all the merchants were notified by letter of what the City's intentions were and what was agreed upon in the meeting.

#### Solid Waste Fund

- The Solid Waste Fund covers neighborhood collection, landfill costs, environmental waste process (hazardous waste), and minimal recycling efforts.
- In the future, the City may discuss the possibility of recycling.
- Last year, the citizens voted to allow a \$5.00 solid waste fee for neighborhood (residential) collection.

#### Improvement Districts

- The City pays a tax rebate via sales taxes at the Yuma Palms Mall (Improvement District 68: Las Palmillas) to cover public improvements that were made during the construction of the mall.
  - The tax rebate will cease in three years, which will result in an increase of sales taxes to the general fund.
  - The tax is not supported by the City, but it is in the budget because the City has a guarantee on the property.

#### Capital Projects Fund

- Does not represent the entire capital figure, as \$80 Million has been presented in the CIP.
- They do represent the dollars for impact fee costs for other sources of revenue outside the major funds due to capital improvement monies now showing up in individual funds rather than showing as a transfer.

#### Enterprise Funds

- The water rate has not increased for a couple of years and there is no anticipation of a rate increase in this year's budget, but this may be the focus of future discussions. However, the City is going to have to pay close attention to modeling the cost of the fund to ensure it will be able to maintain its integrity due to the fund balance dropping.
- There is debt that the City is aware of that is causing the fund balance to drop. Some of this debt was supposed to be paid by water capacity funds but has had to be shifted to the Water Transfer Fund because the capacity funds are not being generated due to a decrease in construction.

#### Water Transfer Fund

- The fund is a special purpose water charge for expenditures mostly related to CIP.
- The debt service line was reduced because of its inability to meet its full amount.
- Although it is not a lot of money, it has put a burden on the water fund side; some of the burden will be eliminated when development commences.

#### Water System Development

- The City has no expenditures planned at this point.
- The Water System Development is working well.
- This revenue bond fund contains the remaining 2007 utility bond dollars that will be spent on capital improvements

#### Wastewater Fund

- The last increase to wastewater incurred in January and future rate increases are not anticipated at this point; however, there are some issues that will have to be addressed in the near future.
- The City is seeking a new discharge permit for one that is soon to expire.
  - The City is currently working with the Environmental Protection Agency (EPA) and Arizona Department of Environment Quality (ADEQ) to determine its impact on treatment methods at Figueroa in order to continue to discharge into the River.
  - Depending on the impacts, there could be substantive capital improvements necessary for the Figueroa Plant to manage any limitations that may be placed by EPA.

#### Wastewater Capacity Fund

- There is a significant difference between revenue and debt service related to capacity driven projects; however the account is in good shape.
  - There was a surge in capacity charges this year primarily related to the B&C Colonia.

#### Desert Hills Golf Course Fund

- The Parks & Recreation Department has recently hired a Golf Operations Manager.
- Reductions have been made to meet expenditure needs.
  - Full-time people have been moved into other funded positions within the general fund and those positions were replaced with part-time personnel in order to lower personnel costs.
- Arroyo Dunes continues its steady pace and there are no real negative impacts there.

#### Equipment Maintenance Fund

- Because the City has stopped renting equipment a few years ago, there are no revenues.

**Krieger** asked how the City did on fuel. **Wicks:** Fuel costs have gone up at least 50% over the past year. However, gas isn't the largest expenditure line item; it has a smaller overall impact than one would have thought.

#### Outside Agency Agreements

- Most of the Outside Agencies remain at the same level as prior years, but there are some differences:
  - Greater Yuma Economic Development Corporation (Greater Yuma EDC) has been reduced to \$200,000 from its previous \$222,500.
    - The Economic Development Manager position has been funded and some of Greater Yuma EDC's efforts will be moved internally.
  - \$81,000 from Heritage Festivals will be incorporated into the Parks & Recreation budget under a new division called Heritage Events.
    - Internal staff will coordinate, maintain and manage the festivals to better utilize the downtown.
      - The coordinator will start in three weeks and work out of the Arts & Culture building.
  - Greater Yuma Port Authority has decreased slightly from \$55,000 to \$50,000.
  - A new addition is the Intergovernmental Public Transportation Authority (IPTA) which will receive \$200,000 total funding.
    - \$125,000 will be funded from the General Fund, along with \$75,000 in LTAF funding to get the IPTA started.
    - Money related to transit that was previously allotted to the Yuma Metropolitan Planning Organization (YMPO) has been reduced to its regular operation funding of \$77,843 for next year.

**Wilkinson** added that with reduced efforts by YMPO, the funding seems high and needs to be addressed at a meeting of the YMPO Executive Board.

- Humane Society
  - The City's plan was to contract with the Humane Society this year, as in the past; however, the Humane Society was asking for more money and the two sides were unable to come to an agreement.

- During the negotiation of the agreement, the Humane Society stated that they didn't want to handle cats and as a result, the City would have to handle the cats per the ordinance.
  - The City passed an animal control ordinance on March 2, 2011.
- The City is working with the Police Department to move forward with animal control, which includes hiring animal control officers and opening a kennel.
- Staff recommends the funding for the Salvation Army Boys & Girls be dropped this year. The focus this year is that all outside agency payments are related to services provided, rather than donations.

#### Discussion

**Johnson** stated he understood that YMPO was funded on a per capita basis through the various member entities. Is there a reduction in the per capita? **Wilkinson:** No, this is a number generated by YMPO as a pass-through to help assist with grants and planning.

**Krieger** stated there are two items totaling \$200,000 on the IPTA, are they directly relative to what the City was paying for Yuma County Area Transit (YCAT)? **Wilkinson** stated the City's contribution for transit was \$271,000; a lot of changes that needed to take place in the transit system in order to make it more efficient service, have not taken place. **Krieger:** These are strictly budget numbers and don't mean that we are obligating ourselves to spend the money especially since some of the questions relative to YMPO are yet to be answered.

In regards to the Greater Yuma Port Authority, **Johnson** asked when the balloon payment is due for the purchase of the land, and how much is it? **Krieger** stated that the amount of \$3.6 million is due next year. **Wilkinson** stated the new organization structure is moving forward and working.

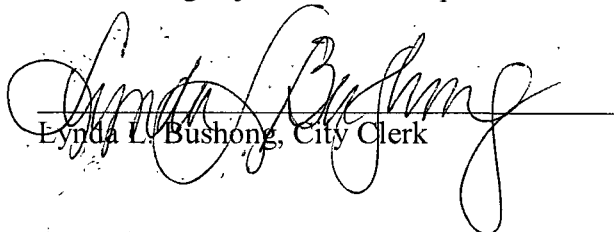
In closing, **Krieger** stated that the public wants the City to be upfront and open when it comes to the budget and the level of debt owed by the City, which the CIP reveals. As shown in the presentation by the Director of Financial Services, the City will have a balanced budget and will be able to provide services to the public again this year.

**Wilkinson** added that the most significant issue facing the City is maintenance of the roadways. The City is short by \$10-\$15 million a year and will have to find creative ways to make things work until some of the HURF monies are restored and the road tax increases. The budget can be added to the worksession. **Krieger** recommends singling out issues.

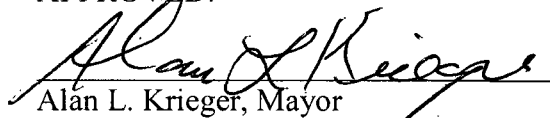
**McClendon** stated there are still items to be followed up with YMPO; therefore, she is not comfortable approving a budget when there are still unanswered questions. **Krieger** stated that there would be a YMPO meeting prior to the adoption of the budget.

**II. EXECUTIVE SESSION:**

The meeting adjourned at 3:51 p.m. No executive session was held.

  
Lynda L. Bushong, City Clerk

APPROVED:

  
Alan L. Krieger, Mayor

Approved at the City Council Meeting of:  
October 15, 2011  
City Clerk: 