

LAKE HAVASU CITY Financial Overview

March 31, 2021

Financial Overview

General Fund

- Financial Considerations
- Revenue Options
- Financial Outlook

Financial Considerations

- Deferred Capital and Maintenance
 - Facilities and other City properties
 - Equipment and vehicles
- Levels of service
 - Limited staffing levels and limited resources
 - Can expand levels of service only when resources are available, i.e., additional funding required

Financial Considerations

- PSPRS Unfunded Liability
 - Currently at \$60 million
 - Pension funding policy shows 100% funding by 2036
 - Requires additional \$4 million per year (not feasible with current revenue sources)
- PSPRS Rate increasing by 6 to 8 percentage points

Financial Considerations

- Court Operations Budget
 - Additional operating costs for Court at new location not included
- Legislative Offset begins in FY24
 - Reduced share of State Income Tax
 - Reduction of \$289,100 FY24
 - Reduction of \$578,200 FY25
 - Reduction of \$867,300 each year thereafter
 - 10-year share of reductions: \$7.8 million

Financial Considerations (cont'd)

- Capital Improvement Plan
 - Use one-time revenues for one-time expenditures
- Budget Stabilization Reserve at Appropriate Levels – 25%
 - Prepare for future budget shortfalls
 - Higher level may be recommended

Financial Considerations (cont'd)

- Position Analysis Implementation effects
 - Net increase to employee costs of \$3.1 million for FY21
 - Compounded thereafter at 3.0% (average)

General Fund: Five-Year Forecast

(In millions)

	2021 YE Estimate	FY 21-22	FY 22-23	FY 23-24	FY 24-25
BEGINNING RESOURCES	\$38.1	\$51.1	\$53.7	\$55.4	\$57.3
REVENUES	69.5	62.0	61.3	62.9	64.5
EXPENDITURES	(52.9)	(56.1)	(57.1)	(59.1)	(60.7)
DEBT PAYMENTS	(.9)	(1.2)	(0.5)	(0.1)	(0.1)
TRANSFERS IN / (OUT)	(2.7)	(2.1)	(2.0)	(1.8)	(1.7)
SURPLUS / (DEFICIT)	13.0	2.6	1.7	1.9	2.0
RESOURCES AVAILABLE BEFORE BSR	\$51.1	\$53.7	\$55.4	\$57.3	\$59.3
BUDGET STABILIZATION RESERVE (BSR) – 25%	(13.3)	(13.9)	(14.4)	(14.9)	(15.5)
ENDING RESOURCES AVAILABLE AFTER BSR	\$37.8	\$39.8	\$41.0	\$42.4	\$43.8

General Fund: Five-Year Forecast

(In millions)

	2021 YE Estimate	FY 21-22	FY 22-23	FY 23-24	FY 24-25
BEGINNING RESOURCES	\$38.1	\$51.1	\$42.7	\$34.9	\$28.8
REVENUES	69.5	62.0	61.3	62.9	64.5
EXPENDITURES	(52.9)	(56.1)	(57.1)	(59.1)	(60.7)
DEBT PAYMENTS	(.9)	(1.2)	(0.5)	(0.1)	(0.1)
TRANSFERS IN / (OUT)	(2.7)	(2.1)	(2.0)	(1.8)	(1.7)
SURPLUS / (DEFICIT)	13.0	2.6	1.7	1.9	2.0
Deferred Maintenance, Vehicles, and Staffing	-	(7.0)	(5.5)	(4.0)	(3.0)
PSPRS Unfunded Liability	-	(4.0)	(4.0)	(4.0)	(4.0)
SURPLUS / (DEFICIT)	13.0	(8.4)	(7.8)	(6.1)	(5.0)
RESOURCES AVAILABLE BEFORE BSR	\$51.1	\$42.7	\$34.9	\$28.8	\$23.8
BUDGET STABILIZATION RESERVE (BSR) – 25%	(13.3)	(13.9)	(14.4)	(14.9)	(15.5)
ENDING RESOURCES AVAILABLE AFTER BSR	\$37.8	\$28.8	\$20.5	\$13.9	\$8.3

Revenue Options

- Commercial Lease Tax
 - Each 1% generates approximately \$250,000
 - Truth in Taxation hearing
 - Requires ordinance and Council approval
- Sales Tax
 - Additional 1% rate generates \$13 million
 - Current sales tax rate is 2%
 - Truth in Taxation hearing
 - Requires ordinance and Council approval

Revenue Options (cont'd)

- Property Tax Rate
 - 2% levy increase allowed each year
 - Current rate: \$0.6718
 - Allowed rate: \$0.9015
 - Additional levy = \$1.9 million per year
 - Each \$.05 generates an additional \$400,000
 - Truth in Taxation hearing
 - Requires Council approval

Revenue Options (cont'd)

- **Bed Tax Rate**
 - Additional 1% generates \$340,000
 - Current Bed Tax Rate is 3%
 - Truth in Taxation hearing
 - Requires ordinance and Council approval

Comparable Cities

City/Town	Commercial Lease Tax	Sales Tax	Bed Tax	Primary Property Tax Rate	Secondary Property Tax
Avondale	2.50%	2.50%	2.00%	0.7003	0.954
Buckeye	2.00%	3.00%	3.00%	1.8000	None
Bullhead City	2.00%	2.00%	3.00%	None	None
Casa Grande	1.80%	2.00%	2.00%	1.0606	0.2752
Flagstaff	2.28%	2.28%	4.28%	0.7933	0.8366
Goodyear	2.50%	2.50%	2.50%	1.0619	0.6713
Kingman	2.00%	2.50%	4.00%	None	None
Lake Havasu City	None	2.00%	3.00%	0.6718	None
Marana	2.00%	2.00%	6.00%	None	None
Maricopa	2.00%	2.00%	2.00%	4.7845	1.1871
Oro Valley	None	2.50%	6.00%	None	None
Prescott	2.75%	2.75%	3.00%	0.2599	None
Yuma	1.70%	1.70%	2.00%	2.3185	None

Budget Calendar FY 20-21

March	31	Financial Overview and Revenues Work Session (9:00 a.m.)
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April	22	City Council Budget/CIP Overview Work Session (9:00 a.m.)
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May	13	City Council 2nd Budget/CIP Work Session (9:00 a.m.)
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June	2	City Council receives Proposed Tentative Budget from Clerk's Office
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	8	City Council adopts CIP and Tentative Budget
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	22	City Council adopts Final Budget
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July	13	City Council adopts Property Tax Levy
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QUESTIONS/DISCUSSION