

Mayor Cal Sheehy
Vice Mayor Cameron Moses
Councilmember Nancy Campbell
Councilmember Jeni Coke
Councilmember Jim Dolan
Councilmember Michele Lin
Councilmember David Lane



Lake Havasu City
Municipal Courthouse
Council Chambers
92 Acoma Boulevard
Lake Havasu City, Arizona
86403
www.lhcaz.gov

City Council Budget/CIP Work Session

Minutes - Final

Thursday, May 9, 2024

9:00 AM

CALL TO ORDER

Mayor Sheehy called the meeting to order at 9:00 a.m.

PLEDGE OF ALLEGIANCE

The Mayor led in the Pledge of Allegiance.

ROLL CALL

PRESENT: Councilmembers Cal Sheehy, David Lane, Jeni Coke, Jim Dolan, Michele Lin, Cameron Moses*, and Nancy Campbell.

ABSENT: None.

**Vice Mayor Moses was present via remote conferencing.*

PUBLIC HEARINGS

Presentation, Discussion, and Potential Direction to Staff on the Budget for Fiscal Year 2023/24 (Year-End Estimates), Fiscal Year 2024/25 Annual Budget, and the Five-Year Capital Improvement Plan

City Manager Jess Knudson said today's meeting is the second planned budget work session to discuss the upcoming budget for Fiscal Year 2024-25. He said the council will see some key themes in the proposed budget that continue from previous fiscal year budgets, one of those being investments – investments to city employees, equipment, tools, facilities, and all the things that it takes for the city to operate and provide services to Lake Havasu City. He said now is the time for the city to make decisions that in ten years from now, we can reflect upon and ensure that the city made good decisions moving forward and set our future selves up for success. He listed several "big picture" projects in the proposed budget including the Certificate of Necessity (CON), specialty courts, CAD system, MaintStar software, and new positions. He noted that staff is proposing a balanced budget that does not include any new taxes or additional revenues coming into the city and added that the proposed budget maintains reserves at a level that puts the city in a good fiscal position moving forward.

Administrative Services Director Jill Olsen advised that today's budget presentation will focus on the operating budget, revenue and expenditure projections and highlights, and department budgets. She reviewed the following in her presentation:

Budget Process

- Budget Development
 - 10-Month Timeline Governed by Policy
 - CIP Starts in September

- Operating Starts in December
- Planning Session in January 2024 Highlighted Trends
- Detailed Review of Department’s Budget

- Required to Adopt Annual Budget per Statute and Code
- Budget Materials
 - Operating Budget Book
 - Financial Projections
 - Revenue Highlights
 - Expenditure Highlights
 - Department Budgets

Budget Overview

- Personnel
 - 8% increase over prior budget
 - Step increases for Fiscal Year (FY) 25
 - Market Stabilization Adjustment
 - Pension Costs (set by State)
 - ASRS – Rates decreased from 12.29% to 12.27%
 - PSPRS (average rates for all tiers)
 - Police – flat at 72.45%
 - Fire – decrease from 72.35% to 71.38%

Ms. Olsen reviewed the new full-time positions budgeted in the General Fund as follows:

**New Full-Time Positions
 General Fund**

<u>Department</u>	<u>Position</u>
Admin Services	System Administrator
City Attorney	Victim Services Specialist
City Manager	Community Engagement Officer
Fire	Administrative Specialist II
Fire	Fire Inspector/Investigator
Human Resources	Human Resources Manager
Municipal Court	Counter Clerk
Parks & Recreation	Maintenance Specialist
Police	Administrative Specialist I
Police	Background Investigator
Police	Police Officer Intern
Police	Police Officer Intern
Public Works	Custodian II
Public Works	Custodian II

Councilmember Lin asked if any of the new full-time positions eliminate any part-time positions, to which Ms. Olsen said only one full-time position in the Parks and Recreation Department that is currently vacant. Mr. Knudson added that the budget does not propose any layoffs or eliminate any positions and provided some additional information on the creation of the Community Engagement Officer position and two Police Officer Intern positions.

Councilmember Lin said on Page 31, Schedule of Budget Full-Time Positions by Department, under Public Works – Administration, it lists a Deputy Director of Public Works and Assistant City Engineer and asked if the city currently has a City Engineer, to which Mr. Knudson explained that staff is proposing to eliminate the current

Water Resource Sustainability Coordinator position and combine those duties with the Deputy Public Works Director position that was created. He added that the city currently has two current Certified Engineers in the Public Works Department.

Councilmember Campbell said she recently met with Mohave County Manager Sam Elters, who sits on the Arizona Department of Transportation Board, about future bypass expansions and asked if the city has any engineers or planners on staff who could assist with future expansions, to which Mr. Knudson said the city has a team through the Development Services Department, Public Works Department, and Lake Havasu Metropolitan Planning Organization that could take a closer look at future expansions and, if directed by council, could identify a transportation study to look at traffic counts, needs, expansion and grow. Mr. Knudson emphasized that the city needs a plan moving forward to identify expansion of roads, new roads, and road maintenance based on data collection. Mayor Sheehy noted that any future bypass expansions would be a collaborative effort between the Lake Havasu Metropolitan Planning Organization and Arizona Department of Transportation and spoke on the upcoming General Plan update which forecasts multiple years of growth and growth strategies, and how those development services connect and get people around the community.

Ms. Olsen reviewed the following in her presentation:

Budget Overview

- Services/Capital/Other
 - Increases:
 - Services (Approximately \$3.2 million increase from FY24)
 - Additional repair and maintenance programs
 - Capital Outlay
 - \$500,000 for Park Improvements & Amenities
 - Supplemental Items (Total \$9.9 million in General Fund)
- Other Revenues/Expenditures
 - FY 2024-25 Contingency Budget = \$2.657 million (all funds)
 - Included in budget for unfunded critical items
 - General Fund Contingency
 - \$1 million (same as prior year)
 - Additional Potential Revenue/Expenditure
 - \$6 million additional potential revenue (i.e. grants, donations, etc.)
 - Budget Stabilization Reserve General Fund at 50%
 - State Shared Income Tax Decreases
 - Property Tax Rate Unchanged
 - With Assessed Valuation increase – additional \$406,392
 - New Construction - \$104,814
 - Flat Rate Applied to New AV - \$301,578
- Capital Improvement Plan Changes
 - Streets – City Core Paving Project
 - Total FY25 Budget revised from \$3.2M to \$1.7M
 - Streets – Adding Industrial Paving Project
 - Total FY25 Budget of \$691,700 added
 - General Gov't – Downtown Catalyst/City Park Development
 - Total FY25 Budget revised from \$1.8M to \$3.575M

- General Fund (\$975,000)
- ABC Funding (\$800,000)
- Grants: LWCF & WIFA (\$1,800,000)

Ms. Olsen reviewed the FY 2024-25 department budgets (excluding depreciation) as follows:

Department/Division/Fund	FY 24-25 (\$ - in millions)
Administrative Services	9.9
City Attorney	1.5
City Clerk	0.5
City Council	0.3
City Manager	1.1
Development Services	2.3
Fire	29.3
Human Resources	1.2
General Services	8.9
Municipal Court	2.8
Parks & Recreation	10.2
PW Admin, Facilities, Vehicles	5.0
Transit	1.0
Police	25.4
PW Airport	5.3
PW HURF (Street)	21.8
PW Water Utility Fund	35.0
Refuse Fund	8.3
PW Wastewater Utility Fund	39.7

Ms. Olsen reviewed next budget steps as follows:

- Adopt 5-Year CIP and Tentative Budget – June 11th
- Adopt Truth in Taxation and Final Budget – June 25th
- Adopt Property Tax Levies – July 9th

Councilmember Lin asked if the city has received the grant funding for the Downtown Catalyst Project and if there was a deadline to utilize the grant funding, to which Mr. Knudson said the city has received the funding from the Water Infrastructure Finance Authority of Arizona (WIFA) and Arizona State Parks grants. He said there are timelines in which the grant funding must be spent but said more so the timeline is that the city cannot apply for another grant until the money is spent which means the city is losing out on opportunities to apply for additional grants. Councilmember Lin asked if the Arizona State Parks grant is specifically for the Downtown Catalyst Project, to which Mr. Knudson replied yes. Assistant to the City Manager/Interim Parks and Recreation Director Anthony Kozlowski said the deadline to utilize the WIFA grant funds is December 2026, and would have to research whether there was a deadline for the Arizona State Parks grant funding.

Councilmember Campbell asked if the city submitted a scope of work or plans as part of the grant process and if the grant funding received can only be used for this specific project, to which Mr. Knudson said the discussion today is just the dollars identified and earmarked in the budget for the Downtown Catalyst Project.

Mayor Sheehy opened the public hearing.

Mr. James Maniaci, citizen, addressed the council and asked for the number of authorized full-time positions, how many of those positions are currently vacant, and how many full-time positions the city will actually have. Mayor Sheehy said the total number of positions in the proposed budget if adopted by City Council is 536 full-time positions, 69.6 part-time positions, and 27 vacant positions.

Mr. David Diaz, citizen, addressed the council and asked for clarification regarding the total increase in the proposed budget for services over the current fiscal year, to which Ms. Olsen said approximately \$3.2 million more than FY 2024.

Ms. Joan Dzuro, citizen, addressed the council and commended the city for adding a Community Engagement Officer to the list of proposed positions in the budget. She said one concern she hears in the community is that they do not know what is going on and thinks this position will help enhance the communication between the city and residents.

There being no further comments, Mayor Sheehy closed the public hearing.

Councilmembers Dolan and Lane expressed their appreciation to staff for presenting a balanced budget that does not propose any new debt or tax increases.

Mayor Sheehy said the proposed budget is something that citizens can be proud of as this is an investment that the city is making into the community, listening to the needs of the community, and planting the seeds for the future for continued investment as the community continues to grow. He said there are a lot of exciting things that are happening without any additional revenues, tax increases, or debt financing. He added that the city is carefully balancing all the elements that it takes to run the operation from a business standpoint as well as the priorities of the community.

Councilmember Lin asked if the city has enough positions to handle the additional specialty courts, to which Mayor Sheehy noted that the proposed budget takes into account a holistic approach to all departments impacted. City Magistrate Mitchell Kalauli explained that the court will be implementing an assessment tool to help ensure they are focusing on helping the people who need it the most and addressing the right number of people. He said as they expand to other courts there will be more need for other services and spoke on the possibility of partnering with Mohave County or another entity to provide case management services.

Councilmember Lane added that the proposed budget includes funding for possible grant opportunities.

There were no further questions or comments from the City Council.

ADJOURN

Upon motion by Councilmember Lane, and seconded, the meeting adjourned at 9:50 a.m.

CERTIFICATION

I hereby certify that the foregoing is a full and true copy of the Budget/CIP Work Session Minutes of the Lake Havasu City Council held on the 9th day of May, 2024. I further certify that the meeting was duly called and posted, and that a quorum was present.

Kelly Williams, City Clerk/MMC