

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



Lake Havasu City  
Council Chambers Room  
92 Acoma Boulevard  
Lake Havasu City, Arizona  
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## City Council Budget/CIP Overview Work Session

### Minutes – FINAL

Thursday, May 15, 2025

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, Nancy Campbell, Jeni Coke, David Diaz, Jim Dolan\*, Michele Lin, and Cameron Moses.

**ABSENT:** None.

*\*Councilmember Jim Dolan was in attendance via remote conferencing.*

#### **PUBLIC HEARING**

**Presentation, Discussion, and Potential Direction to Staff on the Budget for Fiscal Year 2024/25 (Year-End Estimates), Fiscal Year 2025/26 Annual Budget, and the Five-Year Capital Improvement Plan**

City Manager Jess Knudson stated today's budget work session will focus on the Fiscal Year (FY) 2024-25 year-end budget estimates and upcoming FY 2025-26 annual budget, and highlighted several impactful items in the proposed budget from each of the departments.

Administrative Services Director Jill Olsen said the presentation will focus on the operating budget, revenue and expenditure projections and highlights, and department budgets and reviewed the budget process as follows:

- Budget Development
  - 10-Month Timeline Governed by Policy
    - CIP starts in September
    - Operating Budget Development starts in December
    - Planning Session in January 2025 Highlighted Trends
    - Detailed review of Departments' Budget
    - Required to adopt Annual Budget per Statute and Code
- Budget Materials
  - Operating Budget Book
    - Financial Projections
    - Revenue Highlights

- Expenditure Highlights
- Department Budgets

Human Resources Director Bobbie Kimelton gave a brief overview of the Classification and Compensation Study. Dr. Kimelton said as previously discussed the city continues to have recruitment challenges, specifically with police officers, and retention issues city-wide. She said the solution is not to throw money at it but come up with new and innovative solutions for recruitment, and one of those solutions, approved by the City Council, was to conduct a Classification and Compensation Study. She said four years ago the city was approximately 25 percent behind the market in terms of wages on average across all city divisions, and over the last three years, as a result of the City Council's efforts, staff has been able to move that plan closer to market by approximately 11.5 percent. She said the intent of the Classification and Compensation Study was to try and bring the plan as close to market as possible by identifying market comparable cities based on population, general fund size, number of employees, and other factors including cost of living. Dr. Kimelton stated that the recommendation of the Classification and Compensation Study is based on how to solve the most problems with the resources that the city has and get as close as possible to an ideal solution that is financially feasible and sustainable for the city.

Mr. Matt Weatherly, President of Public Sector Personnel Consultants, Inc., gave a brief overview of the methodology that was used and recommendations of the Classification and Compensation Study. He said as part of the study employees participated in job questionnaires that allowed them to view job descriptions and conducted approximately 150 desk audit interviews with employees to review their questionnaires and job descriptions. Mr. Weatherly stated that they completed a salary and benefits survey and are proposing a new salary table for civilians that would migrate the civilian workforce from a grade and step plan to an open range plan that is aligned to the market without doing any damage to internal working relationships, career ladders, and promotional opportunities. He said they are also proposing changes to the step plans for Police and Fire, for dispatch and detention, that will be adjusted to market. He said overall on the civilian side, approximately 70 percent of the positions surveyed were within five percent of market or better, noting that there are still some positions that are fairly highly populated that are still below market. Mr. Weatherly stated that the 2026 budget and beyond is the means by which everyone will be eligible for some type of salary growth. He spoke on prior year ranges and said they are looking at a three to three and a half percent range for global out in the market range growth for 2026. Mr. Weatherly added that there are some corrections to make as they are showing slightly below market for police officer and firefighter which will be reflected in the proposed recommendations to bring those positions into line with a more competitive entry. Mr. Weatherly noted that the city's benefits, health insurance, paid time off accruals, certification pays, and holidays were also reviewed and were found to be in line with market. He said the proposed open range civilian pay table is designed to offer greater flexibility for in range salary adjustments. He reviewed the summary study implementation and noted that approximately 155 civilian positions fell below market equating to \$620,000 plus benefits (approximately \$90,000 for civilian vacancies, comparing current to proposed entry pay) and on the public safety scales they preserved the 3.5 percent step and made some adjustments to get the positions back to five percent and to the nearest next step equating to approximately \$600,000 plus benefits (approximately \$65,000 for public safety vacancies, comparing current to proposed entry pay). Mr. Weatherly noted that the total fully burdened cost for the initial study implementation is \$1,900,000.

Councilmember Campbell expressed concerns with police and fire personnel still being below market when the total cost for personnel (salaries and wages) increased from \$50 million (five years ago) to \$75 million (proposed budget). Mr. Weatherly explained that they objectively applied the exact same criteria across all positions, studied the market, and pulled 2025 data to realign structures to get positions onto the plan. He noted that the goal would be to conduct a study every five to seven years depending on what the market and growth is doing, and stated that typically, approximately 70 percent of general fund expenditures is personnel (salaries and wages).

Councilmember Campbell expressed concerns with positions at or over market when other positions are under market. She asked how much responsibility is given to department heads with recruitment and pay ranges, to which Dr. Kimelton explained the city's recruitment process, efforts, and challenges. She noted that the reason that they are seeing the same problem with police and fire being below market is because the market keeps moving. She noted that if the City Council had not approved the salary adjustments/increases over the last few years, the salary adjustment being proposed to bring the positions to market would have been five to six times more which is just not achievable; therefore, by City Council's actions, staff was able to move this closer to the target for recruitment and attraction.

Mayor Sheehy stated that the city is trying to find a balance that is sustainable. He said the ability to have ongoing expenses, like labor and benefits, is lessening; therefore, this is the difficult conversation that the council needs to have to ensure that they can meet the goal of recruitment and retention with the resources available. He noted that the growth from \$50 million to \$75 million in wages and benefits over the past five years has been sustainable due to available revenues and revenues forecasted in the budget. Mayor Sheehy added that the study five years ago did not take into account the policy decisions that the City Council made over the last three years to provide incremental wage adjustments (total of 11.5 percent over the course of three years) with the available revenues.

Dr. Kimelton spoke on the study and proposed recommendations and said the goal of the study was to bring the plan to market and make sure the positions under market were brought to the new minimum.

Mayor Sheehy said it was his understanding that the new civilian open range plan would give Human Resources and department directors more flexibility with recruitment and compensation within the compliance of the approved budget, to which Dr. Kimelton said yes and explained some of the flexibility that the open range plan would provide as it relates to annual wage adjustments (percentage increases) and placement into the plan.

Discussion ensued related to implementation of the plan, annual increases, and fully burdened costs.

In response to Councilmember Diaz' question, Mr. Knudson reviewed the past five years in terms of revenues and ongoing expenses. He noted that staff is comfortable with where we are currently but want to make sure the decisions being made put the city in the right place and identify priorities based on available resources.

Vice Mayor Lin requested clarification as to how fire and police employees were being placed into the step plan, to which Dr. Kimelton explained that fire and police employees were placed into the plan at the next nearest step to where they currently are with some adjustments as needed. Vice Mayor Lin asked if a police or fire employee at step nine was placed into the new plan at step nine, to which Ms. Kimelton explained that fire and police employees were not placed into the new step plan at the same step under the old plan as it was not financially feasible. She further explained that for police employees, as a recruitment and retention strategy due to sustained vacancies, they moved them to the next nearest step and gave them an additional step. Vice Mayor Lin expressed concerns that fire employees were not being placed into the plan the same as police employees, to which Dr. Kimelton explained that the Fire Department does not have the same recruitment challenges at this time and noted that the cost to adopt the same strategies in the Fire Department was approximately twice as much as the Police Department, and the approach that they took was what was the best solution for the problem the city is facing right now. Vice Mayor Lin asked what the cost would be to adopt the same strategies, to which Ms. Kimelton said she believes the cost for fire, to do the same as police, was approximately \$500,000 (fully burdened). Vice Mayor Lin asked what the total cost would be to adopt the same strategies city-wide, to which Ms. Kimelton said \$10 million. Mayor Sheehy noted that the cost would be \$10 million per year. Vice Mayor Lin asked how many employees were identified as being paid over market, to which Dr. Kimelton said she did not have the exact number; however, most were primarily in the Water and Wastewater Departments due to salary adjustments that were previously made to those

ranges to attract and retain positions in those specific departments. Mayor Sheehy noted that this study is not a reset but a “check in point” that uses the same methodology to ensure team members are paid fairly with a strategy for recruitment and retention.

Vice Mayor Lin asked if the data used is from 2025 or 2026, to which Ms. Kimelton said 2025. She explained that when the study began in December 2024 the 2026 information was not available.

Ms. Olsen spoke on the budget process, challenges, and considerations. She said as the city started finalizing budget revenues and expenditures, primarily for the General Fund, it became even more apparent that the city is approaching the maximum amount of revenues available for ongoing expenditures. She said in determining the funds available for the proposed ongoing additions to the budget, staff managed the spending level to stay within the maximum; however, it is important to note that the city is getting close to closing the gap. She said the vast majority of spending in the budget has been for one-time expenditures and the city has managed to accumulate a fund balance in some funds, primarily in the General Fund, while still reserving the appropriate policy amounts for the Budget Stabilization Reserve. She said the city has gone from an estimated undesignated General Fund balance of \$43 million in Fiscal Year 2021 to an estimated \$18 million in Fiscal Year 2026, which is a \$25 million reduction. She said it is appropriate to find a balance between maintaining sufficient fund balance and reserves while also providing the best services possible to the community. She said the fund balance is estimated to be at a lower level than in past years and noted that it is important to be mindful that it is a finite amount of funds that cannot be used for ongoing expenses. Ms. Olsen said the city also has a lack of sufficient revenues available to meet the ongoing budget needs and between the lack of additional revenues and the expenditure limitation cap, the city must continue to be thoughtful when it comes to the spending of ongoing available resources.

Ms. Olsen outlined the personnel changes in the Fiscal Year 2025-26 budget as follows:

- 7.2% increase over prior budget
  - Implement Classification & Compensation Study
  - Step/Wage Increases for FY26
  - Health Insurance Rate Increase
  - Pension Costs (set by State)
    - ASRS – Rates decreased from 12.27% to 12.00%
    - PSPRS (average rates for all tiers)
      - Police – increase from 70.3% to 71.9%
      - Fire – decrease from 71.8% to 68.7%

Ms. Olsen reviewed the new full-time positions and apprenticeships budgeted proposed in Fiscal Year 2025-26 as follows:

**New Full-Time Positions**

<u>Department</u>	<u>Position</u>
Admin Services	Senior Procurement Specialist
Development Services	Planning Technician
Parks & Recreation*	Parks Maintenance Technician
Parks & Recreation*	Parks Maintenance Technician
Parks & Recreation*	Parks Maintenance Technician
Parks & Recreation*	Parks Maintenance Technician
Public Works	Facilities Maintenance Specialist
Public Works	Streets Inspector

Public Works	Streets Maintenance Specialist
Public Works	Streets Maintenance Technician
Public Works	Streets Maintenance Technician
Public Works	Streets Maintenance Technician
Public Works	Utility Inspector
Public Works	Water Crew Lead
Transit*	Administrative Specialist I

\*Full-time positions funded by reduction in part-time positions

**New Apprenticeships**

<u>Department</u>	<u>Position</u>
Fire	Paramedic/Firefighter Apprentice
Fire	Paramedic/Firefighter Apprentice
Police	Police Services Assistant Apprentice
Public Works	Fleet Mechanic I Apprentice

Ms. Olsen reviewed the services, capital outlay, and other costs in the proposed Fiscal Year 2025-26 budget as follows:

- Increases:
  - Services
    - Additional repair and maintenance programs
    - Additional street preservation program
    - City-wide professional development and training
  - Capital Outlay
  - \$500,000 for Park Improvements & Amenities
  - Supplemental Items

Ms. Olsen reviewed the other revenues and expenditures in the proposed Fiscal Year 2025-26 budget as follows:

- FY 2025-26 Contingency Budget = \$2.657 million (all funds)
  - Included in budget for unfunded critical items
- General Fund Contingency
  - \$1 million (same as prior year)
- Unknown Grants and Donations
  - \$6 million additional revenue/expense (i.e. grants, donations, etc.)
- Budget Stabilization Reserve General Fund at 50%
- Property Tax Rate Unchanged
  - With Assessed Valuation increase – additional \$430,064
    - New Construction - \$116,208
    - Flat Rate Applied to New AV - \$313,856

Ms. Olsen reviewed the Capital Improvement Plan (CIP) changes in the proposed Fiscal Year 2025-26 budget as follows:

- General Government
  - Courthouse Covered Parking - \$125k carry-forward FY26
  - City Fuel Facility - \$370k carry-forward FY26
- Parks
  - Added \$7 million in FY30 for Multi-Use Fields

- Public Safety
  - Fire Station 7 – Added \$3 million to overall budget
- Streets
  - Acoma – Added \$2.3 million to overall budget and revised schedule
  - Kiowa – Added \$2.7 million to overall budget and revised schedule
  - Added 2 new street projects
    - Lake Havasu Ave. - \$450,000 FY27
    - McCulloch Blvd. - \$715,000 FY30
- Wastewater
  - Mulberry Treatment Plant Roof Replacement - \$300,000 carry-forward FY26
- Water
  - Water Main Replacements – Added \$1.5 million to overall budget

Ms. Olsen reviewed department budgets (excluding depreciation) for Fiscal Years 2024-25 and 2025-26 as follows:

Department/Division/Fund	FY 24-25 (\$ - in millions)	FY 25-26 (\$ - in millions)
Administrative Services	10.0	15.0
City Attorney	1.5	1.6
City Clerk	0.5	0.3
City Council	0.3	0.3
City Manager	1.1	1.2
Development Services	2.3	2.5
Fire	29.3	27.3
General Services	8.9	7.6
Human Resources	1.2	1.4
Municipal Court	2.8	3.2
Parks & Recreation	10.1	12.3
Police	25.4	28.7
PW Admin, Engineering, Facilities, Vehicles	5.0	5.4
PW Airport	5.3	5.0
PW HURF (Street)	21.8	35.6
PW Wastewater Utility Fund	51.2	50.5
PW Water Utility Fund	38.5	35.7
Transit	1.0	1.3

Ms. Olsen reviewed the Vehicle License Tax (VLT) for Fiscal Years 2022-23, 2023-24, 2024-25, and proposed Fiscal Year 2025-26 as follows:

	FY 2022-23 (\$ - in millions)	FY 2023-24 (\$ - in millions)	FY 2024-25 (\$ - in millions)	Proposed FY 2025-26 (\$ - in millions)
Total Vehicle License Tax (VLT)	4.9	4.9	5.2*	5.3**
Annual VLT Transfer for Streets	1	1	1	1
Additional General Fund Transfer for Streets	9	1	5	5

*\*Estimated*

*\*\*Proposed*

Ms. Olsen reviewed the next steps of the budget process including adoption of the 5-Year CIP and tentative budget on June 10, 2025, adoption of the Truth in Taxation Hearing and final budget adoption on June 24, 2025, and adoption of the property tax levies on July 8, 2025.

Vice Mayor Lin asked how much revenue has been generated from the ambulance transport services this year, to which Ms. Olsen said approximately \$2.1 million was budgeted this fiscal year. Vice Mayor Lin said when it comes to compensation in certain departments, the Fire Department is specifically generating revenues for ambulance transport services. Mayor Sheehy noted that there are expenses associated with ambulance transport services including billing and supplies; therefore, the net number is not \$2.1 million.

Councilmember Diaz asked how the \$500,000 allocated for park improvements and maintenance would be used, to which Parks and Recreation Director Gabby Vera highlighted several park improvements and maintenance projects for Fiscal Year 2025-26 including portable pitching mounds, dugout improvements, ballfield fence replacement, playground shade cover, updated drinking fountains, beach swings shade structure, and beautification project on Main Street.

Councilmember Diaz suggested the \$6 million allocated in the proposed budget for unknown grants and donations be increased to account for any potential ballfield grants. Ms. Olsen explained the allocations in the budget for planned projects noting that this amount is for unknown grants or donations that might come up this fiscal year.

Councilmember Campbell spoke regarding the Highway User Revenue Fund (HURF) and VLT funding for road infrastructure and maintenance and said she did not see any funding allocated over the next five years to address residential roads. She suggested the city consider allocating all the VLT funding into the budget to address local roads and keep the one-time \$2 million in early pavement preservation for new roads.

Mayor Sheehy said what Councilmember Campbell is suggesting historically has been done over the last four years. He said he does not support moving the VLT into roads for the next five years but supports the 20 percent VLT transfer which gives flexibility to the City Council each year. Mr. Knudson added that pavement preservation for residential streets is identified in the ongoing budget with \$2 million allocated in unencumbered General Fund dollars.

Discussion ensued related to road infrastructure and improvements, and funding sources.

Mayor Sheehy asked for clarification regarding the increase in the Administrative Services Department budget from \$10 million to \$15 million, to which Ms. Olsen explained that the increase in the budget is due to General Accounting Principles (GAP) and the General Accounting Standards Board (GASB) accounting requirements.

Councilmember Dolan expressed his appreciation to staff for presenting a balanced budget. He said he did not support allocating one hundred percent of the VLT to roads or raising taxes.

Councilmember Diaz asked if step increases and Cost-of-Living Adjustments (COLAs) are required by state statute annually, to which Mayor Sheehy said the pay plan in the proposed budget has projections in the step and open range plans as to how members move through the plan that is based on direction from the City Council each year during the budget process.

Councilmember Diaz asked if additional staffing would be needed for the new specialty court, to which City Magistrate Mitchell Kalauli said the Municipal Court is not proposing additional staffing for the Building Bridges Court.

Vice Mayor Lin requested clarification regarding the Management Specialist position in the proposed budget, to which Ms. Olsen explained that it is not a new position but a title reclassification. Dr. Kimelton explained that the Management Specialist was a title classification change of an existing position based on the PAQ.

Councilmember Coke expressed her appreciation to staff for their hard work on the study and proposed budget.

Councilmember Moses asked if there was flexibility in the budget to move the \$7 million allocated in FY 2030 for multi-use fields forward if needed, to which Mayor Sheehy said the City Council would not have flexibility in this year's budget but would have flexibility in the next budget cycle; however, other things would have to move. Councilmember Moses said he supported the implementation of the Classification and Compensation Study but could not support allocating one hundred percent of the VLT funds to roads as he did not want to tie the hands of future councils.

Vice Mayor Lin requested clarification regarding the Grants Specialist position in the Transit Division, to which Ms. Olsen explained that the position is a reclassification of an Administrative Specialist position.

Mayor Sheehy opened the public hearing.

Mr. Matt Maloney, citizen, addressed the council and said creating compression may not solve a recruitment or retention problem but urged the City Council to ask what that end outcome may be and act accordingly.

Mr. James Maniaci, citizen, addressed the council and questioned why the City of Bullhead was not selected as a comparable city.

Dr. Kimelton explained that the market comparable cities were selected based on factors such as population size, general fund size, number of employees, and the types of comparable services that are offered.

Ms. Bonny Toy, citizen, addressed the council concerning the beach swings shade structure at Rotary Beach and the Main Street beautification project. She questioned why the funding for the outdoor pool was not discussed or presented.

Mayor Sheehy explained the presentation today covered any changes to the CIP. He said the Outdoor Pool Project was not discussed as there were no changes to the project in the CIP.

Mr. Tyler Zink, citizen, addressed the council and said the Fire Career Technical (CT) program is a great recruitment tool but is not a good retention tool.

Ms. Kristin Bistline, citizen, addressed the council in support of the beach swings shade structure and asked the City Council to consider a splash pad at Rotary Beach, swing set and stop sign at Avalon Park, skate park for toddlers, upgraded water fountains, and additional safe walking trails throughout the community.

Mr. Corky Coiner, President of the Lake Havasu Professional Firefighters (LHPFF), addressed the council and said he appreciates the efforts of the study but is extremely disappointed in the eight-page study that did not provide any details or information. He said the study did not identify how underpaid a lot of the employees are and the plan, from his understanding, is to leave those employees right where they are. Mr. Coiner noted that there has been some misleading information as it was specifically identified that the entry level for the Police Department is less than the City of Kingman and City of Bullhead; however, the entry level for the Fire Department is also less than the City of Kingman and City of Bullhead. He spoke to the years of school and training needed for a highly skilled and trained firefighter, and said the issue with paying employees the same but moving the scale is that everyone ends up at step one or two creating compression. Mr. Coiner added that the comparable market numbers presented are from Fiscal Year 2024-25 which are not accurate for Fiscal Year 2025-26 resulting in a public safety pay scale that is already eight percent behind market on July 1, 2025.

Ms. Kris Rodriguez, citizen, addressed the council regarding the need for additional amenities at the ballfields and specific training at the school district for children with autoimmune diseases and allergies.

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

Mayor Sheehy expressed his appreciation to staff for presenting fiscally responsible budget that is balanced and addresses and identifies as many investments as possible. He said when it comes to the study and pay structure, he believes the council has been committed to ensuring that city staff is compensated. He said the study presented to the City Council is an eight-page executive summary and added that more data will be forthcoming to anyone that would like to review the information. Mayor Sheehy thanked city staff for prioritizing the items of the City Council and the changes from the last budget hearing.

Councilmember Campbell expressed concerns regarding some of the comments about the pay for the Fire Department and being eight percent behind once implemented, to which Mr. Weatherly explained that they are several dollars apart and do not agree on the variance. He noted that he was unable to verify the sources of their information and added that they used 2026 data when the ask was for 2025 data. Mr. Weatherly said they are proposing a four percent increase to the entry of firefighter that carries out throughout all of those ranks; however, the implementation plan, which is what was alluded to, is not being able to fund the movement of what happens (for example on step one) through the entire workforce. He explained that for every one percent in the Fire Department equates to approximately \$100,000 (fully burdened).

### **ADJOURN**

The meeting adjourned at 11:53 a.m.

### **CERTIFICATION**

I hereby certify that the foregoing is a full and true copy of the Budget/CIP Work Session Meeting Minutes of the Lake Havasu City Council held on the 15th day of May, 2025. I further certify that the meeting was duly called and posted, and that a quorum was present.

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Kelly Williams, City Clerk/MMC