

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 Room
92 Acoma Boulevard
Lake Havasu City, Arizona
86403
www.lhcaz.gov

City Council Budget/CIP Overview Work Session

Minutes - Final

Thursday, April 11, 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.

**Members were present telephonically.*

CAPITAL IMPROVEMENT PLAN OVERVIEW

Presentation, Discussion, and Potential Direction to Staff on the Five-Year Capital Improvement Plan.

City Manager Jess Knudson said today's presentation and discussion focuses on an overview of the Capital Improvement Plan (CIP) that goes into effect on July 1, 2024, and the budget overview for Fiscal Year (FY) 2023-24 (Year-End Estimates) and Fiscal Year 2024-25 (Annual Budget). Mr. Knudson noted that the proposed CIP is fully funded through grants, General Fund dollars, or user fees, with no recommendation for issuance of debt or taxes. He said Administrative Services Director Jill Olsen would be presenting the financial overview and Interim Public Works Director Ron Foggin would be presenting the FY 2023-24 CIP projects as well as the projects identified in the 5-Year CIP.

Mr. Foggin outlined the following in his presentation:

Capital Improvement Plan

- Fiscal Year 2023-24 Projects
- Available Funding
- Funding Sources
- 5-Year CIP

Mr. Foggin reviewed the CIP Projects for FY 2023-24 and highlighted the projects completed this year as follows:

<u>Project</u>	<u>23-24 Budget</u>	<u>Funding</u>
Runway Rehabilitation – Safety Area	\$1,300,000	Airport/Grant

Replacement of AWOS System	255,000	Airport/Grant
Runway Strengthening & Overlay	2,505,000	Airport/Grant
Taxiway C Reconstruction	125,000	Airport/Grant
Wash Crossing Improvements	2,125,000	Flood Control
Daytona Wash 4	2,000,000	Grant
Havasupai Wash 6	2,130,000	Grant
Kiowa Drain 3	120,000	Flood Control
Downtown Catalyst	1,815,000	ABC Funds/Grant
City Fuel Facility - Police	2,358,900	General Fund
City Fuel Facility – Public Works	1,075,700	General Fund
Municipal Courthouse	2,864,225	General Fund
Aquatic Center HVAC	450,000	General Fund
Site 6 Boat Ramp Replacement	1,135,680	General Fund/Grant
Site 6 Fishing Dock	1,500,000	Grant
Island Path Repave	1,100,000	General Fund
Fire Station 7	450,000	Grant
PD Facility Rear Parking Lot Rehab & Expansion	752,000	General Fund
PD Facility & Jail Replacement	2,675,000	General Fund/Grant
London Bridge Pier Repair	250,000	HURF
City Core Paving Project	6,143,500	HURF/Grant
Pavement Replacement Program	2,000,000	HURF
Lake Havasu Avenue Paving Project	160,600	HURF
London Bridge Rd. & Mesquite Paving Project	865,025	HURF
Lake Havasu Ave. & Palo Verde Blvd. Rehab	820,620	HURF
Island Treatment Plant Flow Equalization Basin	1,000,000	Wastewater Fund
Chip Drive Lift Station Upgrades	765,500	Wastewater Fund
Vadose Well Design and Expansion	1,100,000	Grant
Mulberry Treatment Plant Aeration Basin	1,430,000	Wastewater Fund
Park Avenue Lift Station Renovation	1,650,000	Grant
NRTP Odor Control at Belt Press Room	850,000	Wastewater Fund
North End Wastewater System Expansion	300,000	Wastewater Fund
Lift Station Upgrades	850,000	Wastewater Fund
Water Conservation & Reuse Improvements at Cypress Park	250,000	Wastewater Fund/Grant
North Well Field Improvements	500,000	Water Fund
Water Main Replacements	500,000	Water Fund/Grant
Booster Station 5A Upgrades	2,345,000	Water Fund
Booster Station 4 Improvements	1,470,000	Water Fund
Horizontal Collector Well Redevelopment	707,700	Water Fund
Total FY 2023-24	\$50,694,450	

Mr. Foggin spoke on several key projects in FY 2023-24 including the Runway Rehabilitation-Safety Area, Runway Strengthening & Overlay, Daytona Wash 4, Havasupai Wash 6, Site 6 Board Ramp Replacement, PD Facility & Jail Replacement, City Core Paving Project, Island Treatment Plant Flow Equalization Basin, and Vadose Well Design and Expansion.

Ms. Olsen reviewed the available CIP funding as follows:

- 5-Year Plan
 - Balanced and funded except for HURF

- Construction Sales Tax - dedicated funding source going forward for general government projects (General Fund)
- Vehicle License Tax – 20% of this General Fund revenue to be a dedicated funding source for street projects in the CIP
- \$331.1 million investment in the community over the next 5-years (in all funds)
- No debt issuance included to accomplish plan
- Highway User Revenue Fund (HURF)
 - Due to insufficient revenues in HURF, staff is recommending a transfer of \$5.0 million from unencumbered General Fund balance to HURF

Ms. Olsen reviewed the 5-Year Capital Improvement Plan FY 2025-29 funding levels (in millions) by department as follows:

- Parks - \$4.5
- General Government - \$3.4
- Public Safety - \$11.2
- Drainage - \$14.1
- Airport - \$25.5
- Streets - \$53.4
- Wastewater Utility - \$26.8
- Water Utility - \$192.2

Ms. Olsen reviewed the 5-Year Capital Improvement Plan FY 2025-29 funding levels (in millions) by funding source as follows:

- America’s Best Communities (ABC) Funding - \$0.8
- Airport - \$1.4
- Court Enhancement - \$0.1
- Flood Control - \$14.1
- General Fund - \$13.7
- Grants - \$219.0
- HURF - \$17.9
- Wastewater - \$26.8
- Water - \$37.2

Mr. Foggin reviewed the FY 2024-25 CIP Projects as follows:

<u>Project</u>	<u>24-25 Budget</u>	<u>Funding</u>
Aircraft Parking Apron Reconstruction	\$250,000	Airport/Grant
Obstruction Light Mark Removal – Safety Area	390,000	Airport/Grant
Replacement of AWOS SYSTEM	271,000	Airport/Grant
Runway Rehabilitation – Safety Area	1,296,000	Airport/Grant
Construction Runway Distance Remaining Signs	300,000	Airport/Grant
Taxiway C Reconstruction	125,000	Airport/Grant
Construct Runway Lights	300,000	Airport/Grant
Construct Runway End Lights	300,000	Airport/Grant
Wash Crossing Improvements	350,000	Flood Control
Havasupai Wash 6	2,000,000	Flood Control
Kiowa Drain 3	1,600,000	Flood Control
Pima Wash Improvements	160,000	Flood Control
Downtown Catalyst/City Park Development	1,800,000	ABC Funds/Grant

Island Path Repave/Grand Island Park Path Repave	350,000	Grant
City Fuel Facility – Police	1,100,000	Grant
Courthouse Covered Parking	125,000	Court Enhancement Fund
Shoreline Improvements	500,000	Grant
Site 6 Fishing Dock	1,500,000	Grant
Fire Station 7	3,450,000	General Fund
PD Facility Rear Parking Lot Rehab & Expansion	752,000	General Fund
PD Facility & Jail Rehabilitation	3,450,000	General Fund
London Bridge Deck Repair	350,000	HURF
Second Bridge	5,500,000	State Appropriation
City Core Paving Project	3,200,000	HURF
Jamaica Blvd South	75,000	HURF
Lake Havasu Ave. & Mesquite	3,500,000	HURF
South Intake Influent Screen	225,000	Wastewater Fund
Vadose Well Design and Expansion	2,300,000	Wastewater Fund
Mulberry Treatment Plant Aeration Basin Repair	735,000	Wastewater Fund
Mulberry Treatment Plant Roof Replacement	300,000	Wastewater Fund
Park Avenue Lift Station Renovation	1,430,000	Wastewater Fund
Island Treatment Plant Metal Storage Building	200,000	Wastewater Fund
Island Treatment Plant Aeration Basin Upgrades	475,000	Wastewater Fund
Island Treatment Plant Upgrades Filters	700,000	Wastewater Fund
North End Wastewater System Expansion	2,432,620	Wastewater Fund
Lift Station Upgrade Program	875,500	Wastewater Fund
Water Conservation & Reuse Improvements at Cypress Park	250,000	Wastewater Fund
New Laboratory Building	800,000	Wastewater Fund
New Water Treatment Plant & Rehab Existing Plant	5,025,000	Grant
Water Main Replacement Program	5,400,000	Water Fund
Smart Meter Installations	1,500,000	Water Fund
Booster Station 4 Improvements	1,000,000	Water Fund
Water Treatment Plant Improvements	2,015,000	Water Fund
North Havasu Additional Tank & Distribution Line	1,300,000	Water Fund
Horizontal Collector Well Redevelopment	707,700	Water Fund
Total FY 2024-25 Budget	\$60,664,820	

He highlighted several key projects in the FY 2024-25 CIP including the Construct Runway End Lights, Construction Runway Distance Remaining Signs, Kiowa Drain 3, Havasupai Drain 6, Wash Crossing Improvements, City Fuel Facility – Police, Fire Station 7, PD Facility & Jail Rehabilitation, London Bridge Deck Repair, Second Bridge, Downtown Catalyst Project, City Core Paving Project, Jamaica Blvd South, Lake Havasu Ave. & Mesquite, South Intake Influent Screen, Park Avenue Lift Station Renovation, North End Wastewater System Expansion, and Horizontal Collector Well Redevelopment.

Mr. Foggin reviewed the 5-Year CIP Airport Projects as follows:

<u>Project</u>	<u>Fiscal Year</u>	<u>Cost</u>
Aircraft Parking Apron Reconstruction	FY25 thru FY27	\$7,550,000
Runway Vertical/Visual Guidance System	FY28	400,000
Obstruction Light Mark Remove Safety Area	Prior thru FY25	450,000
Replacement of AWOS SYSTEM	Prior thru FY25	315,000
Runway Rehabilitation – Safety Area	Prior thru FY26	2,800,000

Construct Runway Distance Remaining Signs	FY25	300,000
Terminal Apron Pavement Reconstruction	FY26 thru FY28	9,750,000
Central Hangar Area Pavement Reconstruction	FY28 & FY29	1,980,000
Taxiway C Reconstruction	FY25 & FY26	1,325,000
Construct Runway Lights	FY25	300,000
Construct Runway End Lights	FY25	300,000
North Apron Pavement Reconstruction	FY29	140,000
Total		\$25,610,000

Mr. Foggin reviewed the 5-Year CIP Drainage Projects as follows:

<u>Project</u>	<u>Fiscal Year</u>	<u>Cost</u>
Havasupai Wash 5	FY26 & FY27	\$3,875,000
Wash Crossing Improvements	Prior thru FY26	2,596,500
Havasupai Reach 4 & 5	FY27 & FY28	3,372,000
Havasupai Wash 6	Prior thru FY25	2,162,000
Kiowa Drain 3	Prior thru FY25	1,755,000
Havasupai 2 Levee Improvements	FY28 & FY29	380,000
El Dorado 2 Levee Improvements	FY28 & FY29	490,000
Pima Wash Improvements	FY25 & FY26	2,030,000
Total		\$16,660,500

Mr. Foggin reviewed the 5-Year CIP General Government Projects as follows:

<u>Project</u>	<u>Fiscal Year</u>	<u>Cost</u>
City Park Development (Downtown Catalyst)	Prior thru FY25	\$2,000,000
Island Path Repave/Grand Island Park Path Repave	Prior thru FY25	1,922,860
City Fuel Facility – Police	Prior thru FY25	1,320,000
Courthouse Covered Parking	FY25	125,000
Total		\$5,427,860

Mr. Foggin reviewed the 5-Year CIP Parks Projects as follows:

<u>Project</u>	<u>Fiscal Year</u>	<u>Cost</u>
Shoreline Improvements	FY25	\$500,000
Site 6 Fishing Dock	FY25	1,500,000
Outdoor Pool	FY26	2,500,000
Total		\$4,500,000

Mr. Foggin reviewed the 5-Year CIP Public Safety Projects as follows:

<u>Project</u>	<u>Fiscal Year</u>	<u>Cost</u>
Fire Station 7	FY25 & FY26	\$6,000,000
PD Facility Rear Parking Lot Rehab & Expansion	FY25	752,000
PD Facility & Jail Rehab	Prior thru FY25	7,340,429
Enclosed Parking Structure	FY27	1,000,000
Total		\$15,092,429

Mr. Foggin reviewed the 5-Year CIP Streets Projects as follows:

<u>Project</u>	<u>Fiscal Year</u>	<u>Cost</u>
London Bridge Deck Repair	FY25	\$350,000
Second Bridge	FY25 thru FY27	35,500,000
Acoma Blvd.	FY26 thru FY28	4,600,000
City Core Paving Project	Prior thru FY25	3,760,000
Jamaica Blvd. South	FY25 & FY26	3,375,000
Lake Havasu Ave. & Mesquite	Prior thru FY25	3,575,000
Kiowa	FY28 & FY29	2,875,000
Total		\$54,035,000

Mr. Foggin reviewed the 5-Year CIP Wastewater Projects as follows:

<u>Project</u>	<u>Fiscal Year</u>	<u>Cost</u>
South Intake Influent Screen	FY25	\$225,000
Vadose Well Design and Expansion	Prior thru FY26	4,659,875
Mulberry Treatment Plant Aeration Basin Repair	Prior thru FY25	1,583,660
Mulberry Treatment Plant Roof Replacement	FY25	300,000
Park Avenue Lift Station Renovation	Prior thru FY25	1,585,900
Island Treatment Plant Metal Storage Building	FY25	200,000
Island Treatment Plant Aeration Basin Upgrades	FY25	475,000
Island Treatment Plant Upgrade Filters	FY25	700,000
Island Treatment Plant Effluent Upgrades	FY26	450,000
Mulberry Treatment Plant Effluent & Recharge Pond Upgrades	FY27 & FY28	400,000
NRTP Effluent & Recharge Upgrades	FY26 & FY27	300,000
North End Wastewater System Expansion	Prior thru FY26	3,530,000
Island Treatment Plant Headworks Improvement	FY26 & FY27	5,000,000
Lift Station Upgrade Program	FY25 thru FY29	4,629,610
Water Conservation & Reuse Improvements at Cypress Park	FY25 & FY26	2,700,000
Influent Pump Station Surge Improvements	Prior & FY28	725,000
Island Treatment Plant Effluent Pond Lines	FY29	546,000
New Laboratory	FY25	800,000
Total		\$28,810,045

Mr. Foggin reviewed the 5-Year CIP Water Projects as follows:

<u>Project</u>	<u>Fiscal Year</u>	<u>Cost</u>
New Water Treatment Plant and Rehab Existing Plant	FY25 thru FY29	\$152,050,000
Water Main Replacement Program	FY25 thru FY29	19,895,000
Smart Meter Installations	Prior thru FY27	3,750,000
Booster Station 4 Improvements	Prior thru FY25	1,500,000
Booster Station 2A Improvements	FY26 & FY27	1,397,500
Tank N-4A-11 Improvements	Prior & FY26	1,411,700
Water Treatment Plant Improvements	FY25 & FY26	3,705,000
Tank C-2-18 Replacement & Upsize	FY27 & FY28	1,820,000
Tank C-3-19 Replacement & Upsize	FY27 & FY28	1,144,000
Tank S-1C-24 Replacement	Prior & FY29	2,645,500
North Havasu Additional Tank & Distribution Line	Prior & FY25	1,450,000
Horizontal Collector Well Redevelopment	Prior thru FY26	1,772,080

Pipeline – SR95 Crossing to SARA Park	FY28	900,000
Total		\$193,440,780

Councilmember Campbell suggested the city look into possible grant funding opportunities available through Smart Funding for new roads and infrastructure improvements. Mr. Foggin said staff would continue to look for these types of grant opportunities and have shovel-ready projects available whenever possible.

Discussion ensued related to grant opportunities for CIP projects and grant funds identified in the budget.

Councilmember Campbell said she would like to see new roads and infrastructure built into the CIP versus road maintenance and preservation. Councilmember Campbell said the planning of the Downtown Catalyst Project has shifted from a public-private partnership project to a large park and expressed concerns about creating an additional park that will require additional maintenance when the city's existing parks need maintenance and improvements. She said the business owners along Mainstreet do not support another park without having additional parking. She suggested the city go back and revisit the idea of creating a public-private partnership that could have a downtown parking garage and business development along the frontage of McCulloch Boulevard.

Councilmember Lin asked for more information on the Outdoor Pool Project, to which Mayor Sheehy said there were early conversations from pool users and the swim teams regarding the limited time available for lap swim and swim teams to use the pool. Councilmember Lane added that discussions regarding future pool expansion and the need for a second pool went before the Parks and Recreation Advisory Board and noted that the infrastructure at the Aquatic Center is already there; therefore, the construction costs would be a lot less to build a second pool there versus another location. Councilmember Lane was in favor of the Outdoor Pool Project but said he would like to see this be a partnership with the Lake Havasu Unified School District as this would be used by the high school swim team and swim meets. Councilmember Lin asked about staff levels for a second pool, to which Parks and Recreation Director Mike Keane said at the current site, a second pool would require one to two additional lifeguards versus an external site which would require additional lifeguards, cashiers, and management support staff.

Councilmember Coke asked if the New Laboratory Project would replace the current laboratory at the Mulberry Wastewater Treatment Plant, to which Mr. Foggin replied yes. Councilmember Lin asked if the remaining funds from the Environmental Learning Center could be used for the New Laboratory Project, to which Mayor Sheehy said potentially yes.

Councilmember Lane said the proposed 5-Year CIP addresses many deferred maintenance issues throughout the city without borrowing any money or raising taxes.

Vice Mayor Moses asked if the city is deferring any projects that could cause operational issues, to which Mr. Knudson said no, the city is working to catch up on deferred maintenance needs and investing in infrastructure (i.e., wells, facilities, equipment) in this budget.

Vice Mayor Moses said he did not see any additional fields being proposed in the 5-Year CIP and would like to see a plan moving forward for additional sports fields. He said the city is also addressing core roadway improvements in the proposed 5-Year CIP but wondered when the city would start addressing the interior streets, to which Mr. Foggin said the city is addressing residential (minor collector) streets through the crack seal, fog seal, and chip seal programs; however, moving forward, once the improvements to the main arterial collector streets are completed, those interior streets on the Pavement Condition Index (PCI) would be next focus. He added that the city is making every effort to identify the streets and the infrastructure under them are replaced at the same time.

Councilmember Dolan thanked the staff for their hard work putting together a plan that addresses projects and deferred maintenance needs. He said he liked the idea of the Downtown Catalyst Project and using the money that has already been dedicated and not additional money that can be spent on other city park improvements. He added that moving forward he would like to see a plan for more fields for sports and events. He said he was also in favor of a second pool at the existing facility.

Mayor Sheehy thanked city staff for their hard work in presenting a balanced budget.

Mayor Sheehy opened the public hearing.

Ms. Joan Dzuro, citizen, addressed the council and asked if the projected \$3 million in Construction Sales Tax revenues takes into consideration the current and forecasted inflation rates that will possibly impact home loans around 10 to 12 percent. She said if that is the case, she anticipates things will likely slow down around the beginning of this fiscal year and wondered if the proposed budget takes those forecasted inflation rates into consideration.

Ms. Olsen said the city takes a conservative approach in estimating construction sales tax revenues by reviewing historical trends and taking into consideration the current market and anticipated changes in the economy.

Mr. David Diaz, citizen, addressed the council and said the addition of new sports fields and improvements to the existing fields would allow for tournaments in Lake Havasu City and generate additional tax dollars.

Mr. James Maniaci, citizen, addressed the council and said while the city is not proposing an increase in property taxes the assessed valuations result in an increase in property tax revenues.

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

Mr. Knudson said one additional project for the council's consideration, that was not included in the list of projects in the CIP, is the construction of a new splash pad at Rotary Park utilizing State Special Project (SSP) grant funding. There was consensus from the council on this project and giving staff the ability to adjust the budget moving forward should the availability of SSP grant funds become available for a splash pad project. Councilmember Lin noted that she would like to also see the project costs with a bathroom facility.

BUDGET OVERVIEW

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

Ms. Olsen said the budget overview includes the budget process and materials, budget to estimated actuals for FY 2023-24, estimated FY 2023-24 available resources, and proposed FY 2024-25 budget overview.

She outlined the following in her presentation:

Budget Process and Materials

- Budget Development
 - 10-month timeline governed by policy
 - CIP starts in September
 - Operating budgets process begins in December
 - Council Retreat in January
 - Review of departments' budgets

- Required to adopt annual budget per Statute and Code
- Budget Materials
 - CIP Budget Book
 - Projects and Funding Source Summary
 - Detailed Project Sheets
- Operating Budget Book (will be distributed before Work Session on May 9)
 - 5-Year Financial Projections
 - Revenue Highlights
 - Expenditure Highlights
 - Department Budgets

Ms. Olsen reviewed the FY 2023-24 budget to actual (in millions) as follows:

Fund	Budgeted Revenues	Estimated Actual Revenues	Budgeted Expenses	Estimated Actual Expenses
<u>Governmental Funds</u>				
General Fund	\$87.8	\$87.0	\$88.9	\$72.9
<u>Special Revenue Funds</u>				
Highway User Revenue (HURF)	12.1	7.1	19.7	11.6
Flood Control	7.1	3.0	6.7	4.6
<u>Enterprise Funds</u>				
Airport	4.6	1.1	5.1	1.3
Refuse	8.2	8.5	7.9	7.8
Wastewater	32.9	28.9	37.1	30.2
Water	14.9	16.0	20.8	18.7

Ms. Olsen said the budget-to-actual shows a comparison by fund of budgeted revenues to estimated actual revenues and budgeted expenses to estimated actual expenses. She said General Fund revenues are coming in close to what was budgeted and under the General Fund expenditures, the estimated actual expenditures are lower mostly due to vacancy savings, fewer grant expenditures, and capital outlay carryforwards. She said the city received fewer grants than originally anticipated and has several carryforward projects in HURF and Flood Control, and added that in the Enterprise Fund, the expenditure over the revenue is generally due to carryforward projects.

Ms. Olsen reviewed the FY 2023-24 available resources (in millions) as follows:

Fund	Available Resources 7/1/23	Estimated Revenue	Estimated Expenditures	Transfers In/Out	Estimated Available Resources 6/30/2024
<u>Governmental Funds</u>					
General Fund	\$42.8	\$87.0	\$72.9	(\$10.0)	\$46.9
<u>Special Revenue Funds</u>					
Highway User Revenue (HURF)	18.8	7.1	11.6	2.5	16.8
Flood Control	7.3	3.0	4.6	(0.5)	5.2
<u>Enterprise Funds</u>					
Airport	0.0	1.1	1.3	0.2	0.0

Refuse	5.3	8.5	7.8	0.0	6.0
Wastewater	18.2	28.9	30.2	(0.04)	16.9
Water	39.5	16.0	18.7	(0.02)	36.8

(The Budget Stabilization Reserve is excluded from Available Resources.)

Ms. Olsen said this reflects the available resources (or “fund balance”) that are estimated as of June 30, 2024. She noted that the Budget Stabilization Reserve (BSR) is excluded from the available resources and said as of June 30, 2024, staff anticipates that the General Fund will have a reserve of just under \$33 million, with \$3 million in the Water Fund, \$3.6 million in the Wastewater Fund, and just under \$1 million in HURF.

Ms. Olsen reviewed the projected revenues as follows:

- General Fund
 - Property Tax: Hold Rate Flat
 - Rate = 0.6718 per \$100 assessed value (AV)
 - Tax Levy = \$6,761,417
 - \$406,392 in additional revenue
 - New Construction = \$104,814
 - Flat Rate Applied to New AV = \$301,578

Ms. Olsen stated that staff is proposing to hold the property tax levy rate flat for FY 2024, and added that approximately \$406,392 in additional revenue is estimated to be collected due to new construction and assessed valuation.

- Water/Wastewater Funds
 - Results of Utility Rate Study implemented
- General Fund
 - Legislative Impacts (beginning FY26)
 - Increase Urban Revenue Share (URS) (State Income Tax)
 - Distribution to Cities increased from 15% to 18%
 - \$2.6 million in additional revenue
 - Decrease in State Income Tax at Flat Rate

FY 2026 URS Loss	FY 2027 URS Loss	FY 2028 URS Loss	FY 2029 (and beyond) URS Loss
\$(401,527)	\$(658,225)	\$(941,891)	\$(1,202,584)

Ms. Olsen reviewed the projected revenues for Improvement District #2 as follows:

- Improvement District #2 – London Bridge Plaza
 - Property Tax: Hold Rate Flat
 - Rate = 0.7370 per \$100 assessed value
 - Tax Levy = \$17,188

Ms. Olsen stated that staff is proposing to hold the property tax rate flat for Improvement District #2 for FY 2024-25. She said the rate generates a little over \$17,000 each year and covers the utility and landscaping costs for this area. She said the fund balance as of the prior fiscal year is just under \$8,000 to cover any unanticipated expenses.

Ms. Olsen reviewed the projected expenditures as follows:

- Adjustments
 - Step increases

- Wage Stabilization Adjustment of 3.5%
 - Changes to retirement rates (PSPRS &ASRS)
 - Increase in costs for materials, chemicals, equipment, metal, etc. due to inflation
 - Salary savings due to vacancies
- General Fund Contingency of \$1 million

Ms. Olsen said approximately \$18.6 million in supplemental requests (in all funds) were requested, mostly due to one-time expenditures for deferred maintenance. She said after review of all supplemental requests, approximately \$9.9 million in General Fund requests, \$1.7 million in HURF requests, \$1.8 million in Water requests, and \$1.7 million in Wastewater requests were being proposed in the FY 2024-25 budget.

Councilmember Lin asked if the Wage Stabilization Adjustment included part-time employees, to which Ms. Olsen replied yes. She asked if part-time employees were included in the Employee Assistance Plan, to which Mr. Knudson said the Employee Assistance Plan is a part of the city's healthcare/benefits package which is available only to full-time employees; however, there are some services that the city provides to part-time employees when the need arises.

Discussion ensued related to the Wage Stabilization Adjustment. Human Resources Director Bobbie Kimelton explained that the 3.5 percent is a continuing attempt for the city to not fall further behind in terms of wages compared to the city's market comparison cities. She noted that the city will be taking a closer look at market comparisons and compensation over the next year. She spoke on the city's recruitment efforts and challenges retaining employees.

Councilmember Lin asked if the city knows the reason why people leave, to which Ms. Kimelton said the city does an exit interview and finds the most common reasons are money and housing.

Councilmember Campbell said the city cannot keep chasing outside markets that have huge tax revenues when Lake Havasu City is still a small town. Ms. Kimelton said creating a place that people love and want to come to work is extremely important but when we look at where we lose our labor to and where we get our labor from is not a one-size-fits-all. She said the city is not losing a lot of our labor to the valley areas but to higher incentive programs in Kingman, Bullhead, and Las Vegas/Henderson. She said those markets are in the same position as the city and are trying to come up with ways to attract and retain people.

Mayor Sheehy said the property tax levy rate is proposed to stay the same for FY 2024-25 and asked if any member of council wanted to discuss changes to the property tax levy rate for the upcoming fiscal year. He said now would be the time for council to discuss any changes to the rate as the next budget hearing would be presented with the revenues based on the proposal.

Councilmembers Dolan and Lane spoke in favor of keeping the property tax levy rate the same.

Councilmember Lane and Mayor Sheehy suggested the city look at applying any savings from the PSPRS retirement rates towards the city's PSPRS unfunded liability.

Councilmember Campbell said she would like to see property taxes revenues used to address residential roads.

Mayor Sheehy opened the public hearing.

Ms. Dzuro addressed the council and questioned if the 3.5 percent wage stabilization costs was a step increase and if it included any healthcare or benefit increases, to which Mayor Sheehy explained that the proposed budget

includes both step-increases for eligible employees and a 3.5 percent wage stabilization increase. He said healthcare and benefits costs would be presented at the next meeting on May 9th.

Ms. Colene Lowery, citizen, addressed the council regarding the importance of continuing educational and training opportunities for employees and spoke on the need for more sports fields in the community. She encouraged the

council to reach out to the non-profit organizations in the community who are willing to partner with the city to invest in the youth.

Mr. Maniaci addressed the council and asked for more information regarding the projected loss in State Income Tax beginning in FY 2026, to which Mayor Sheehy explained that the legislature adjusted Arizona to a flat tax rate, which means that the city received more revenue for the first couple of years, but in subsequent years, beginning in 2026, the city will have a loss of \$401,527 in FY 2026 which will continue to grow to a loss of \$1,202,584 in FY 2029 and beyond.

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

Mr. Knudson noted that the city receives only a small portion of the property tax revenues that are collected by the county to support city services in Lake Havasu City. He said he is happy to report that the employee healthcare and benefit trust is proposing a zero percent increase to the city and zero percent increase to employees for the upcoming year.

Mr. Knudson expressed his appreciation to city staff for their hard work in preparing the proposed budget and 5-Year CIP.

ADJOURN

Upon motion by Vice Mayor Moses, and seconded, the meeting adjourned at 11:17 a.m.

CERTIFICATION

I hereby certify that the foregoing is a full and true copy of the Budget/CIP Overview Work Session Minutes of the Lake Havasu City Council held on the 11th day of April, 2024. I further certify that the meeting was duly called and posted, and that a quorum was present.

Kelly Williams, City Clerk/MMC