





**WE ARE A STRONG TEAM DEDICATED TO SERVING
OUR COMMUNITY, BUILDING RELATIONSHIPS AND
CREATING OPPORTUNITIES.**

Schedule from Proposed to Final Adoption

- Work session April 19th:
 - Quarterly Financial Update and Revenue Forecast
- Work session May 3rd:
 - Proposed Operating Budget
 - Recommended Amendments to Proposed Budget
 - Directives from Mayor and City Council
- **Work session May 17th:**
 - Capital Improvement Plan (CIP)
 - Introduction to the required PSPRS Funding Policy
 - Operating Budget: Follow-up items
- Regular session May 18th:
 - Public Hearing for the Capital Improvement Plan
 - “Tentative” Budget, Sets ceiling for budget authority
- Special / Regular session June 15th:
 - Adopt the “Final” Budget and CIP for FY 2023
 - *Public Hearing on TNT (if required)*
 - Adopt Budget Amendments for FY 2022
 - Adopt a PSPRS Funding Policy for FY 2023
 - Approve select FY 2023 purchases (such as vehicles)
- July 6th: Adoption of tax levies (City, MM, MID)

We are here



Effective FY2019

- State law requires a Public Safety Personnel Retirement System (PSPRS) funding policy to be adopted annually
- The AZ League of Cities and Towns has a template available
- Even though in FY2022 the City paid to fully fund the PSPRS liability and established a PSPRS reserve to maintain the 100% funded ratio, the City is still required to adopt the PSPRS funding policy

Note: the City's FY2023 contribution rate for the Unfunded Actuarial Accrued Liability (UAAL) is 0%

Recommendation

- Use the AZ League template and include adopting this policy with the annual budget process will ensure meeting compliance
- Amortize the UAAL contribution rate over the maximum years allowed to not over commit the City and allow for flexibility in the event of an economic downturn and the resurgence of an UAAL
- Include a section to highlight and document prior Council actions to fully fund the PSPRS liability in February 2021

PSPRS Funding Policy (A.R.S. § 38-863.01)



City of Yuma Public Safety Personnel Retirement System Pension Funding Policy

The intent of this policy is to clearly communicate the Council's pension funding objectives and its commitment to our employees and the sound financial management of the City and to comply with new statutory requirements of Laws 2018, Chapter 112.

Several terms are used throughout this policy:

Unfunded Actuarial Accrued Liability (UAAL) – Is the difference between trust assets and the estimated future cost of pensions earned by employees. This UAAL results from actual results (interest earnings, member mortality, disability rates, etc.) being different from the assumptions used in previous actuarial valuations.

Annual Required Contribution (ARC) – Is the annual amount required to pay into the pension funds, as determined through annual actuarial valuations. It is comprised of two primary components: normal pension cost – which is the estimated cost of pension benefits earned by employees in the current year; and, amortization of UAAL – which is the cost needed to cover the unfunded portion of pensions earned by employees in previous years. The UAAL is collected over a period of time referred to as the amortization period. The ARC is a percentage of the current payroll.

Funded Ratio – Is a ratio of fund assets to actuarial accrued liability. The higher the ratio the better funded the pension is with 100% being fully funded.

Intergenerational equity – Ensures that no generation is burdened by substantially more or less pension costs than past or future generations.

The City's police and fire employees who are regularly assigned hazardous duty participate in the Public Safety Personnel Retirement System (PSPRS).

Public Safety Personnel Retirement System (PSPRS)

PSPRS is administered as an agent multiple-employer pension plan. An agent multiple-employer plan has two main functions: 1) to commingle assets of all plans under its administration, thus achieving economy of scale for more cost efficient investments, and invest those assets for the benefit of all members under its administration and 2) serve as the statewide uniform administrator for the distribution of benefits.

Under an agent multiple-employer plan each agency participating in the plan has an individual trust fund reflecting that agencies' assets and liabilities. Under this plan all contributions are deposited to and distributions are made from that fund's assets, each fund has its own funded ratio and contribution rate, and each fund has a unique annual actuarial valuation. The City of Yuma has two trust funds, one for police employees and one for fire employees.

Council formally accepts the assets, liabilities, and current funding ratio of the City's PSPRS trust funds from the June 30, 2021 actuarial valuation, which are detailed below.

Trust Fund	Assets	Accrued Liability	Unfunded Actuarial Liability	Funded Ratio
Yuma Police	\$142,953,626	\$79,464,928	\$52,793,923	60.1%
Yuma Fire	\$118,722,098	\$62,262,863	\$44,169,095	58.5%

PSPRS Funding Goal

Pensions that are less than fully funded place the cost of service provided in earlier periods (amortization of UAAL) on the current taxpayers. Fully funded pension plans are the best way to achieve taxpayer and member intergenerational equity. Most funds in PSPRS are significantly underfunded and falling well short of the goal of intergenerational equity.

The Council's PSPRS funding ratio goal is 100% (fully funded) by June 30, 2036. City Council established this goal for the following reasons:

- The PSPRS trust funds represent only the City of Yuma's liability
- The fluctuating cost of an UAAL causes strain on the City's budget, affecting our ability to provide services
- A fully funded pension is the best way to achieve taxpayer and member intergenerational equity

Council has taken the following actions to achieve this goal:

- Maintain ARC payment from operating revenues – Council is committed to maintaining the full ARC payment (normal cost and UAAL amortization) from operating funds annually without diminishing City services.
- Additional payments above the ARC:
 - The Mayor and City Council declared resolution of the PSPRS unfunded liability a priority and on February 19, 2021, the City issued \$159,475,000 in taxable pledge revenue bonds to pay the balance of the PSPRS unfunded liability and establish a reserve account designated to maintain a fully funded PSPRS
 - Due to timing of actuarial reports, the City's June 30, 2022 will reflect use of bond proceeds to pay the PSPRS unfunded liability
 - The City Council has achieved a funded ratio of 100% and intends to maintain this ratio with a designated reserve committed for the PSPRS UAAL.

Based on these actions the Council plans to achieve its goal of 100% funding by June 30, 2036, in accordance with the amortization timeline set forth by the PSPRS June 30, 2019 Actuarial Valuation.

Changes to State Forms Posted Monday

- State Forms Total Expenditures / Expenses not changed from Friday's posting
- Reprogram budget forms to report more like the financial statements
 - ARPA Separate fund
 - Indirect cost plan is a revenue

Moving From Proposed to Tentative Budget

RECOMMENDED CHANGES FROM PROPOSED TO TENTATIVE BUDGET			
Cost Center and Explanation	General Fund	All Other Funds	Total Budget
PROPOSED BUDGET, May 3, 2022	\$93,205,888	\$316,774,189	\$409,980,077
Water: Capacity	-	(2,900,000)	(2,900,000)
Double budgeted, Water and WW, CIP			
Indirect Cost Plan Recover (aka "Intracity Cost")	5,210,709	-	5,210,709
Reclassify from contra-expenditure to revenue			
Avoids negative cost center and			
Consistent with other reporting and municipalities			
Credit Card Fees - reclassify from revenue	70,000	400,000	470,000
Report as expenditure, not contra-revenue			
Avoids negative cost center and			
Consistent with other reporting			
Fire Department - Fire Engine Replacement	-	1,009,400	1,009,400
Move up timing, delay in delivery			
Personnel	7,943	-	7,943
Reclassification Range Adjustments			
Eff. 2021 Az Ave. rental reported in the General Fund	458,044	(458,044)	-
TENTATIVE BUDGET (Recommended), May 18, 2022	\$98,952,584	\$314,825,545	\$413,778,129

Recommended Changes are included in the State forms (Schedules A-G)

Total Revenue

\$282.9 All Funds

\$104.3 General Fund

\$9.5 HURF

\$16.1 City Road Tax Fund

\$6.4 Public Safety Tax Fund

\$9.1 Two-Percent Tax Fund

\$40.7 Grant Fund

\$23.1 ARPA

\$2.1 Capital Projects Fund

\$31.3 Water Fund

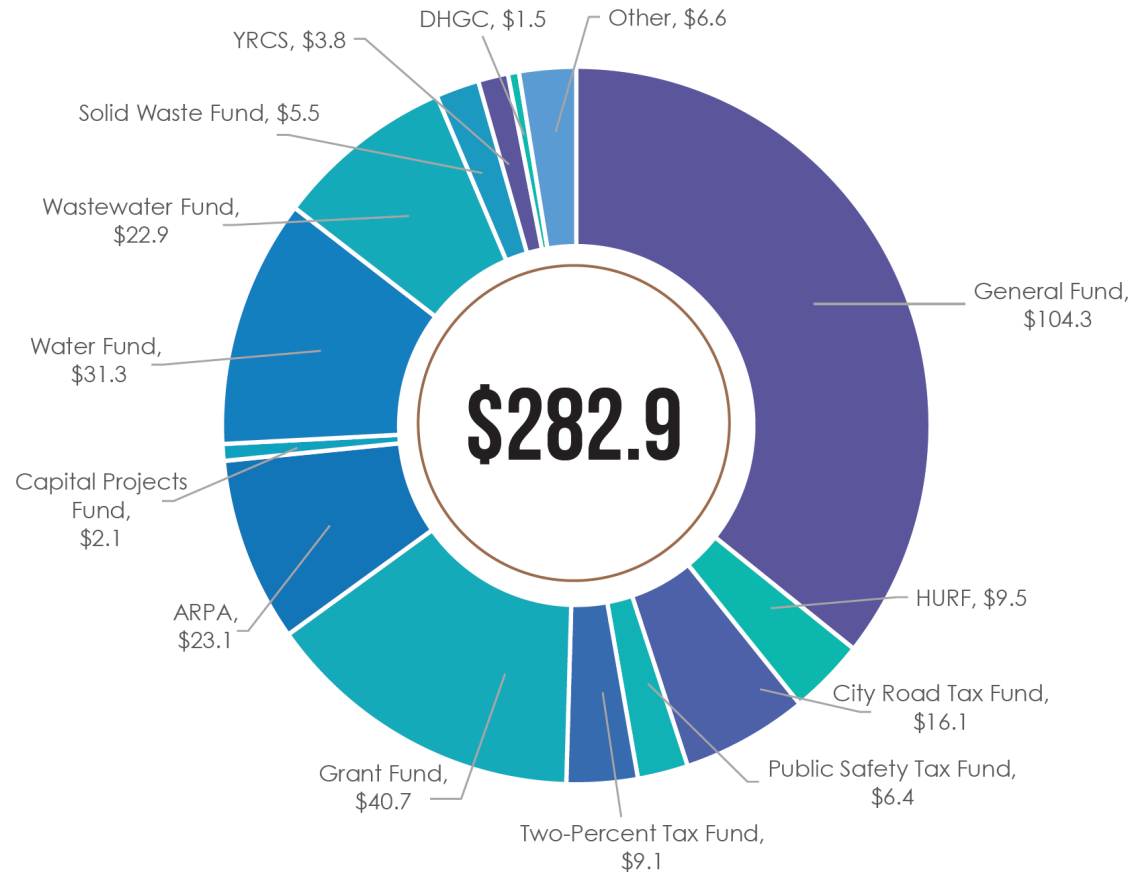
\$22.9 Wastewater Fund

\$5.5 Solid Waste Fund

\$3.8 YRCS

\$1.5 DHGC

\$6.6 Other



Does not include Transfers In & Out;
Difference to Revenue is planned use of fund balance on one-time uses, such as Vehicles, CIP, Desert Dunes Wastewater Expansion

Total Expenditures / Expenses

\$413.7 All Funds

\$98.9 General Fund

\$11.8 Highway User Revenue Fund (HURF)

\$15.6 City Road Tax Fund

\$7.2 Public Safety Tax Fund

\$7.8 Two-Percent Tax Fund

\$40.7 Grant Fund

\$23.1 ARPA

\$12.0 Capital Projects Fund

\$35.7 Water Fund

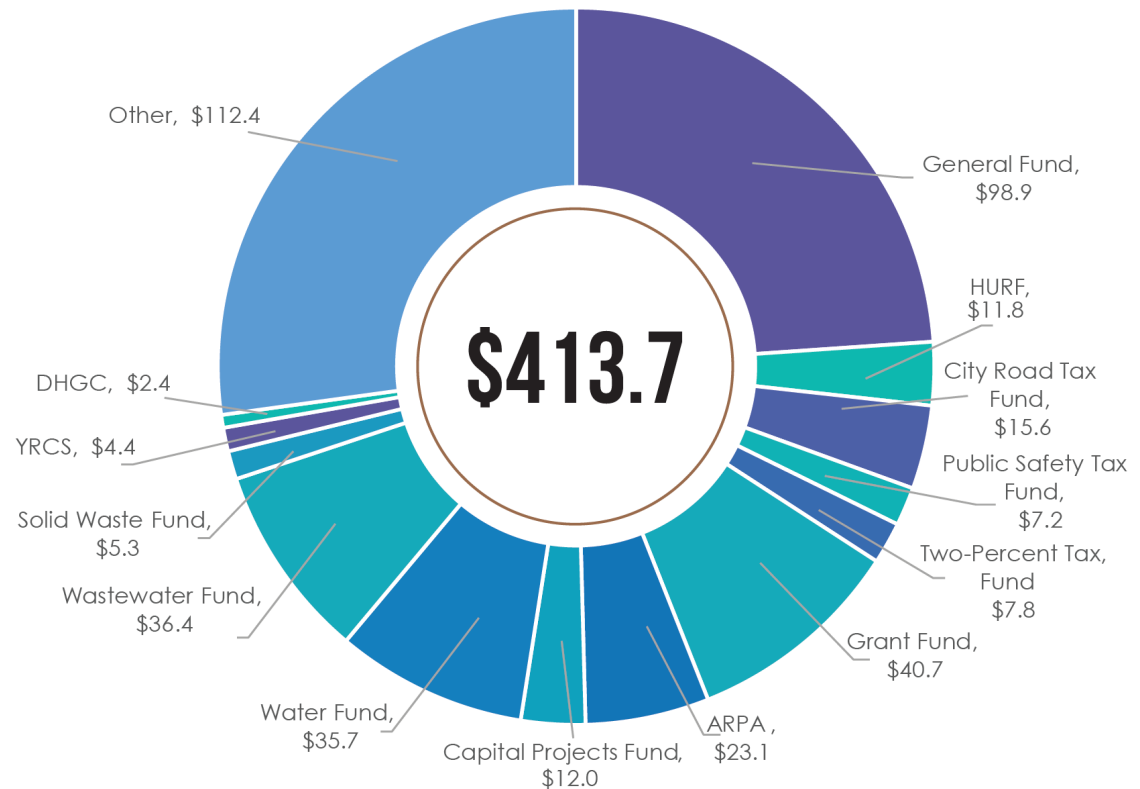
\$36.4 Wastewater Fund

\$5.3 Solid Waste Fund

\$4.4 Yuma Regional Communications Systems Fund (YRCS)

\$2.4 Desert Hills Golf Course Fund (DHGC)

\$112.4 Other



Does not include Transfers In & Out;
Difference to Revenue is planned use of fund balance on one-time uses, such as Vehicles, CIP, Desert Dunes Wastewater Expansion

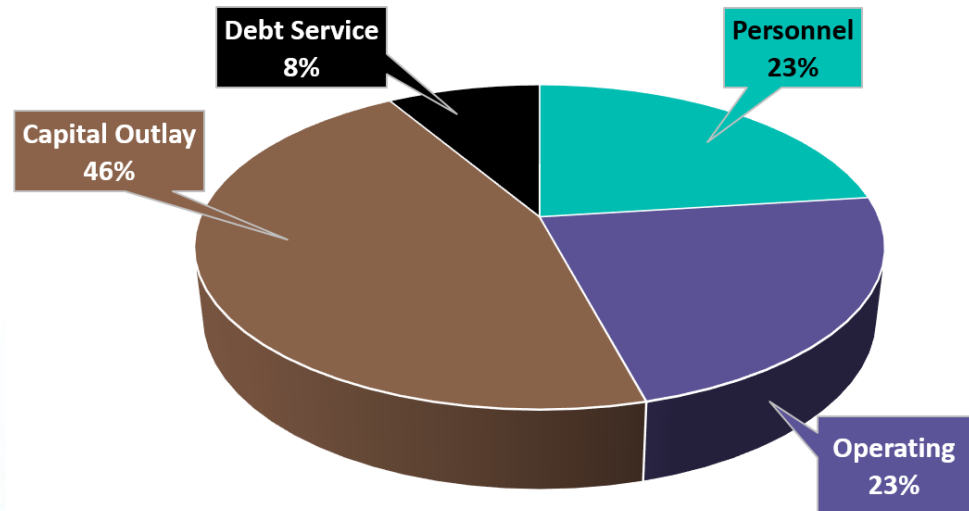
Total Budget

Expenditures / Expenses	Amended Budget 2022	Budget FY 2023	Change	
			Amount	%
General Fund	\$ 81,385,197	\$ 98,952,584	\$ 17,567,387	22%
Water Fund	37,480,791	35,706,043	(1,774,748)	-5%
Waste Water Fund	34,239,957	36,422,191	2,182,234	6%
Highway Users Revenue Fund	10,647,660	11,774,014	1,126,354	11%
City Road Tax	15,118,777	15,571,719	452,942	3%
Two Percent Tax Fund	6,603,250	7,761,157	1,157,907	18%
ARPA	14,801,661	23,071,661	8,270,000	56%
All Other Funds	179,388,188	184,518,760	5,130,572	3%
Total Before PSPRS UAAL	\$ 379,665,481	\$ 413,778,129	\$ 34,112,648	9%
PSPRS Unfunded Liability	122,376,210	-	(122,376,210)	-100%
Total Expenditures / Expenses	\$ 502,041,691	\$ 413,778,129	\$ (88,263,562)	-18%

Personnel Costs, Operations, Debt Obligations, and Capital Improvements

Does not include interfund transfers

The total budget is \$413,778,129, which is \$88 million or 18% less than prior year total budget, and is \$34 million or 9% more **net** Public Safety Personnel Retirement System (PSPRS) Unfunded Liability.



CITY OF YUMA, ARIZONA
SUMMARY SCHEDULE OF ESTIMATED REVENUES AND EXPENDITURES/EXPENSES
 Fiscal Year 2023

Fiscal Year	S c h	FUNDS							
		General Fund	Special Revenue Funds	Debt Service Fund	Capital Projects Fund	Enterprise Funds Available	Internal Service Funds	Total All Funds	
2022	E	Adopted/Adjusted Budgeted Expenditures/Expenses*	203,761,407	99,087,931	27,923,356	5,934,000	162,139,335	11,435,452	510,281,481
2022	E	Actual Expenditures/Expenses**	192,916,461	55,897,271	27,925,006	813,632	61,148,597	5,989,609	344,690,576
2023		Fund Balance/Net Position at July 1***	43,709,898	24,318,133	30,629	12,442,059	246,922,760	26,128,326	353,551,806
2023	B	Primary Property Tax Levy	15,104,827	-	-	-	-	-	15,104,827
2023	B	Secondary Property Tax Levy	-	332,168	-	-	-	-	332,168
2023	C	Estimated Revenues Other than Property Taxes	89,271,483	104,807,628	-	2,091,200	65,007,265	6,280,253	267,457,829
2023	D	Other Financing Sources	-	-	-	-	-	-	-
2023	D	Other Financing (Uses)	-	-	-	-	-	-	-
2023	D	Interfund Transfers In	-	137,962	20,761,375	-	800,000	-	21,699,337
2023	D	Interfund Transfers Out	14,416,908	7,040,080	-	-	242,349	-	21,699,337
2023		Total Financial Resources Available	133,669,300	122,555,811	20,792,004	14,533,259	312,487,676	32,408,579	636,446,630
2023	E	Budgeted Expenditures/Expenses	98,952,584	106,865,879	20,761,375	7,143,330	167,335,370	12,719,591	413,778,129

EXPENDITURE LIMITATION COMPARISON

	2022	2023
1. Budgeted expenditures/expenses	\$ 502,038,941	\$ 413,778,129
2. Add/subtract: estimated net reconciling items	-	-
3. Budgeted expenditures/expenses adjusted for reconciling items	502,038,941	413,778,129
4. Less: estimated exclusions	381,645,206	273,351,448
5. Amount subject to the expenditure limitation	\$ 120,393,735	\$ 140,426,681
6. EEC expenditure limitation	\$ 155,514,481	\$ 147,198,479

* Includes Expenditure/Expense Adjustments Approved in the current year from Schedule E.
 ** Includes actual amounts as of the date the proposed budget was prepared, adjusted for estimated activity for the remainder of the fiscal year.

Sets the Maximum Authority (Ceiling)
 Can amend during the year, but not exceed
 After Exclusions, Under Expenditure Limitation
 Revenue Goals continue to be monitored

Specific and General Contingencies

CONTINGENCIES		
Purpose	Approval Authority	
	Administrative	City Council
A. Fuel (inflation)	\$ 629,238	\$ -
B. Vehicles (supply chain issues)	150,000	-
C. Equipment & Supplies	77,000	-
D. Health Insurance	78,000	-
E. Retirements (PTO payout)	670,000	-
F. Administrative Contingency	500,000	-
G. General Contingency	-	1,400,000
Total	\$ 2,104,238	\$ 1,400,000

A-E: Specific Purpose Contingencies. City Administrator and Finance Director when both have determined the specific criteria or service demand has been realized.

F: Administrative Contingency. City Administrator as needed to maintain continuity in City operations.

G: General Contingency. City Council action needed. Typically, called upon for unforeseen needs that fall short of declaring an emergency.

Possible Consideration

As part of budget adoption, it is recommended for Council to authorize single year authority as outlined above.

Pay Plans

CITY PAY PLANS						
PERSONNEL	FY 2021	FY 2022			FY 2023 (Proposed)	
	July / Nov	July / Dec	January	June	July	January
Police and Fire Step Plan: (Sworn and Front-line)	1 step 3.0%, 4.0% or 5%	1 step 3.0%, 4.0% or 5%	Base Adj 2.1% (1)	Cash Bonus \$ 3,000	1 step 3.0%, 4.0% or 5%	Range 3% (3)
Police and Fire Open Range: (Non-Sworn and Admin)	2.5% or LMS grade	3.0%	1.5% (2)	Cash Bonus \$ 1,500	4.0%	2% (4)
Open Range Pay Plan: (All Other City Staff)	2.5% or LMS grade	3.0%	1.5% (2)	\$ -	4.0%	2% (4)

(1) Step plan pay ranges were increased by 2.1%; all step employees received a 2.1% increase

(2) Open range pay grades and ranges were increased between 5.0% and 4.5%; employees received a 1.5% increase.
After the grade increase, if an employee fell below the grade's minimum they were brought up to the minimum

(3) Step plan pay ranges are proposed to increase by 3.0%; all step employees would receive a 3.0% increase

(4) Open Range ranges are proposed to increase by 2.0%; all non-step employees would receive a 2.0% increase

Step increases vary

Police Officer	10 steps	3.0% for steps 2-6; and 5.0% for steps 7-10
Police Sergeant	6 steps	4.0% for steps 2-6
Firefighter	10 steps	3.0% for steps 2-10
Fire Engineer	9 steps	3.0% for steps 2-9
Fire Captain	8 steps	3.0% for steps 2-8

Possible
Consideration





~~PROPOSED~~ TENTATIVE BUDGET FY 2023

Next Budget Meeting:

Regular May 18th:

- Public Hearing for the Capital Improvement Plan
 - “Tentative” Budget, Sets ceiling for budget authority
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May 17, 2022