

QUARTERLY FINANCIAL BRIEFING

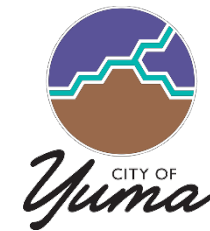
3RD QUARTER FY 2023

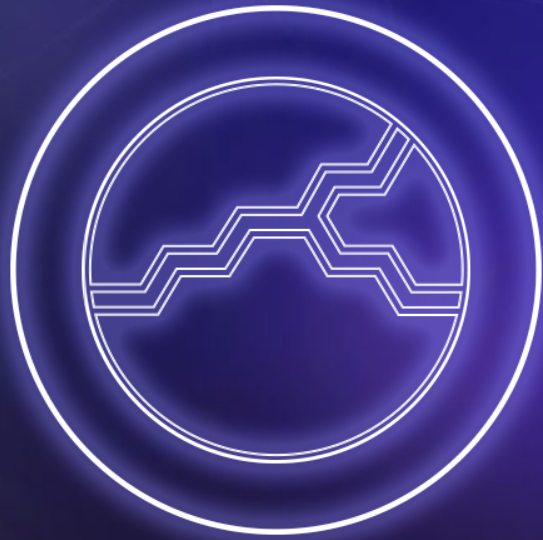
Part I:

Grants Program (ARPA)

FY 2023 Financial Status

Part II: FY 2024 Outlook





Quarterly Financial Update

3rd Quarter FY 2023 Part II

Financial Forecast and Stress Test FY 2024

TABLE OF CONTENTS



STATE REVENUE SHARING

Overview	4
Sales Tax and Income Tax	5

CITY TAXES

City Sales Tax	10
City Property Tax	11

RESILIANCE (STRESS) TEST

Fund Balance	13
Scenarios	16

The format of this presentation is intended to serve as both a work session presentation and Quarterly Report Document.

All data may not be addressed during the presentation. Inquiries are welcomed during and after the work session.

STATE REVENUE SHARING



4

- State Shared Revenues are distributed base on population. Initial estimates use prior years population.
- Final estimates with the current population are not available until after the City's budget is adopted.
- COY "rounds down" for it's proposed budget to mitigate any decrease in the "final" estimates.

SALES TAX:

- \$877,470,000 State-wide
- Yuma FY 2024 Estimate = \$14.4 million; 12% of GF Budget

RISKS:

- State's economy,
- Yuma/State Population ratio

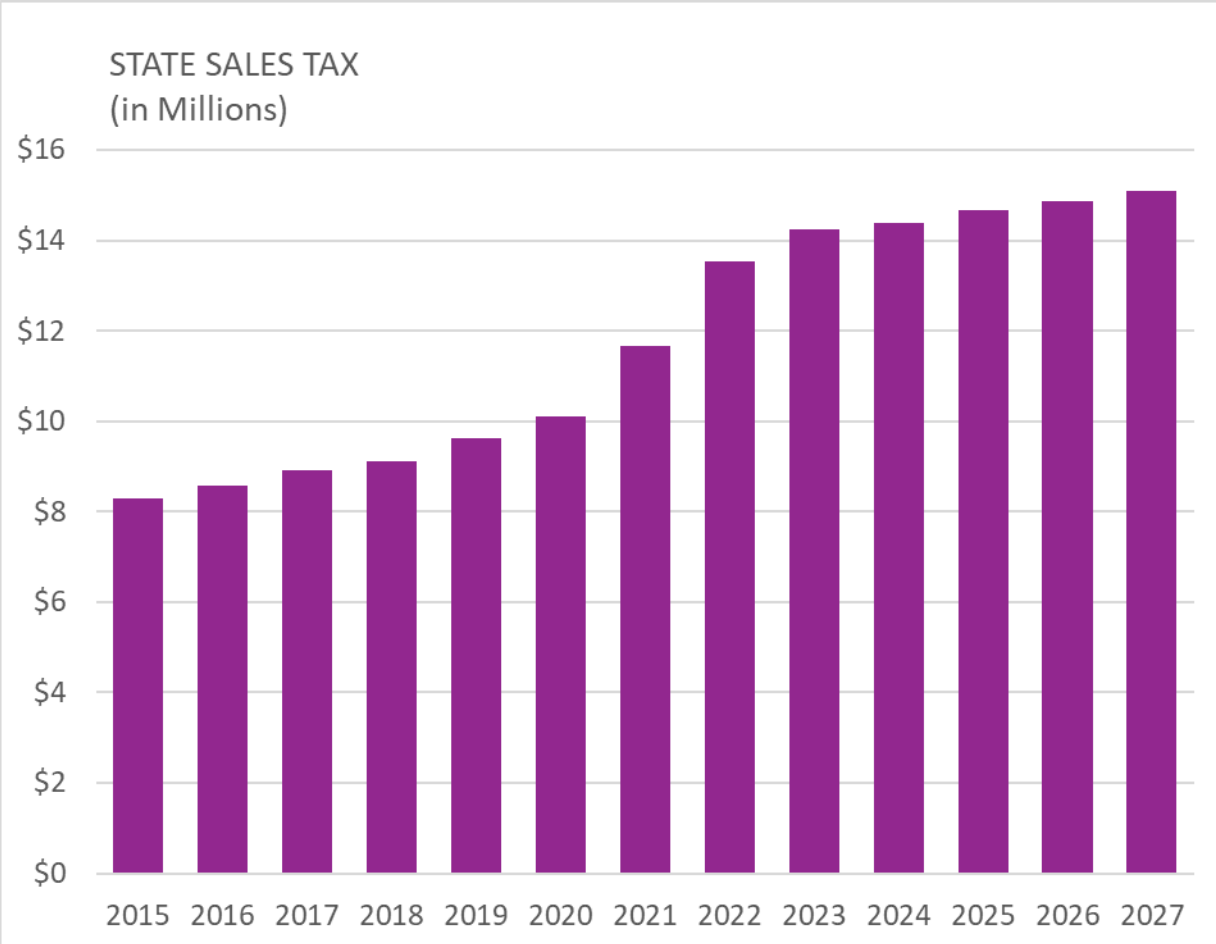
INCOME TAX:

- Known as Urban Revenue Sharing
- \$ 1,564,820,000 State-wide
- Yuma FY 2024 Estimate = \$25.5 million; 22% of GF Budget

RISKS:

- State's economy,
- State Legislation,
- Yuma/State Population ration





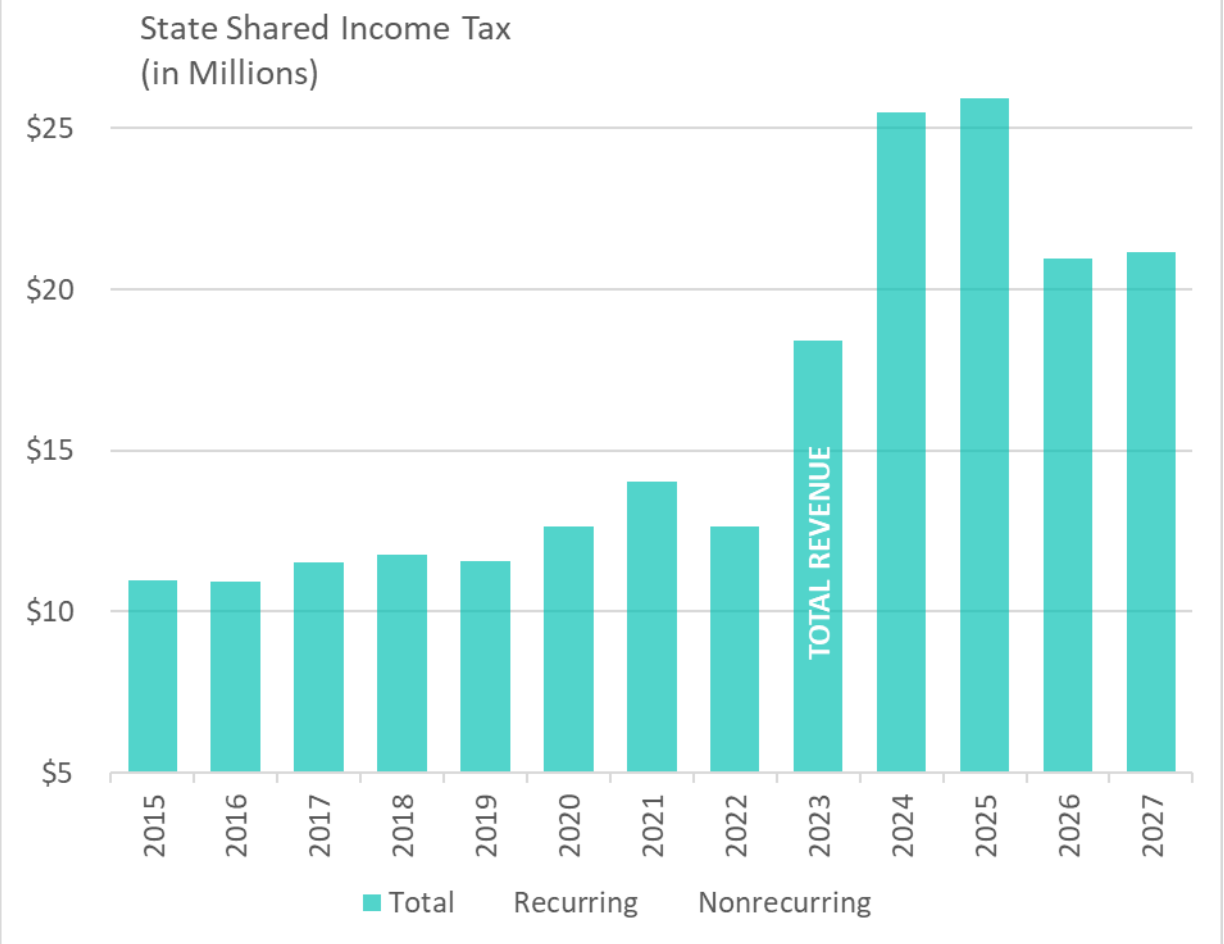
ESTIMATED FY 2024

- \$14.4 million; 12% of GF Budget

BASIS:

- State-wide sales tax collections and population
- When the State-wide pie gets larger
 - Yuma's slice has been larger for Yuma, but smaller as a State-wide %
- If State-wide pie gets small, Yuma's feels a steeper impact (less base, less pop)

STATE SHARED INCOME TAX



ESTIMATED FY 2024

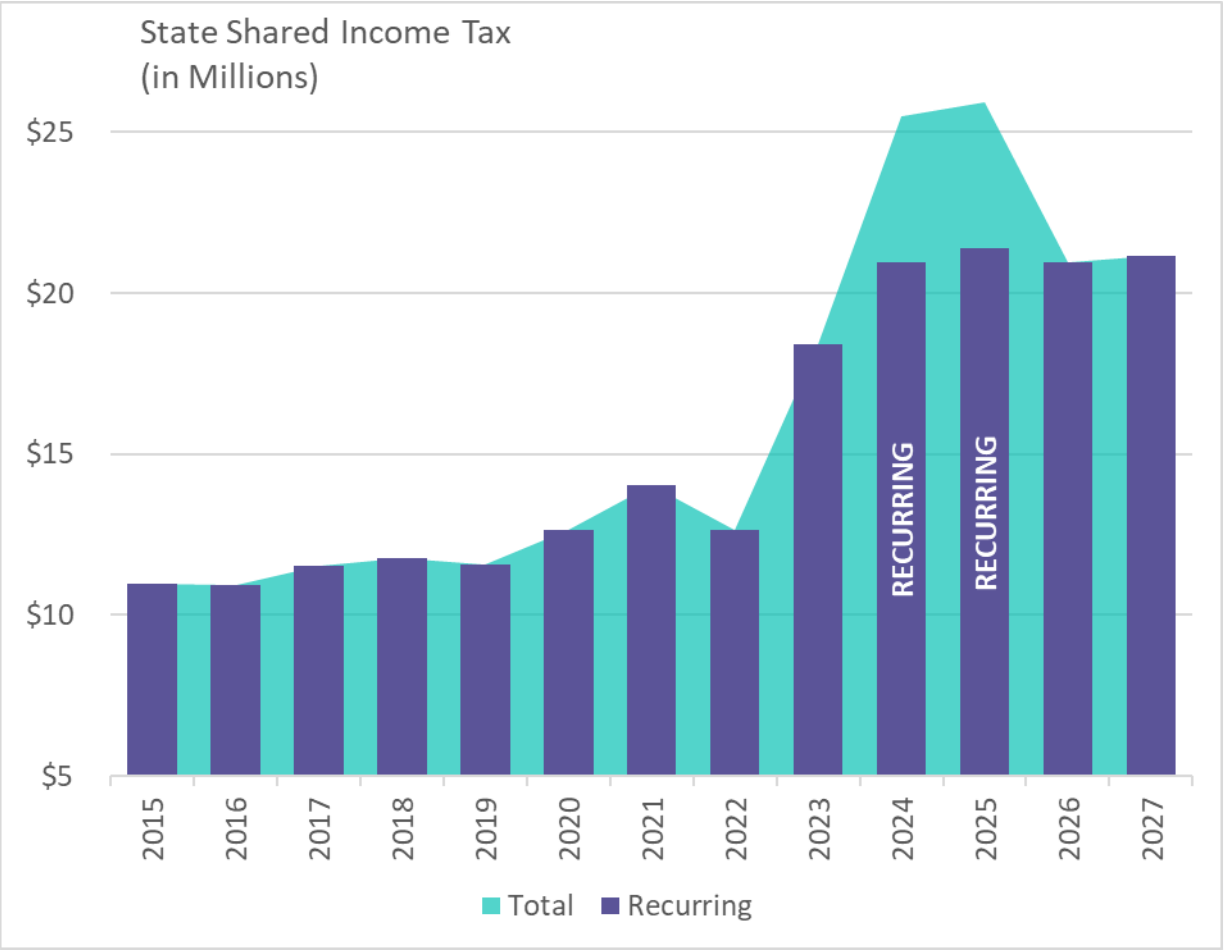
- \$14.4 million; 12% of GF Budget

BASIS:

- State-wide sales tax collections and population
- When the State-wide pie gets larger
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STATE SHARED INCOME TAX



FY 2024:

- State allocation to cities and towns up from 15% to 18% of total income tax

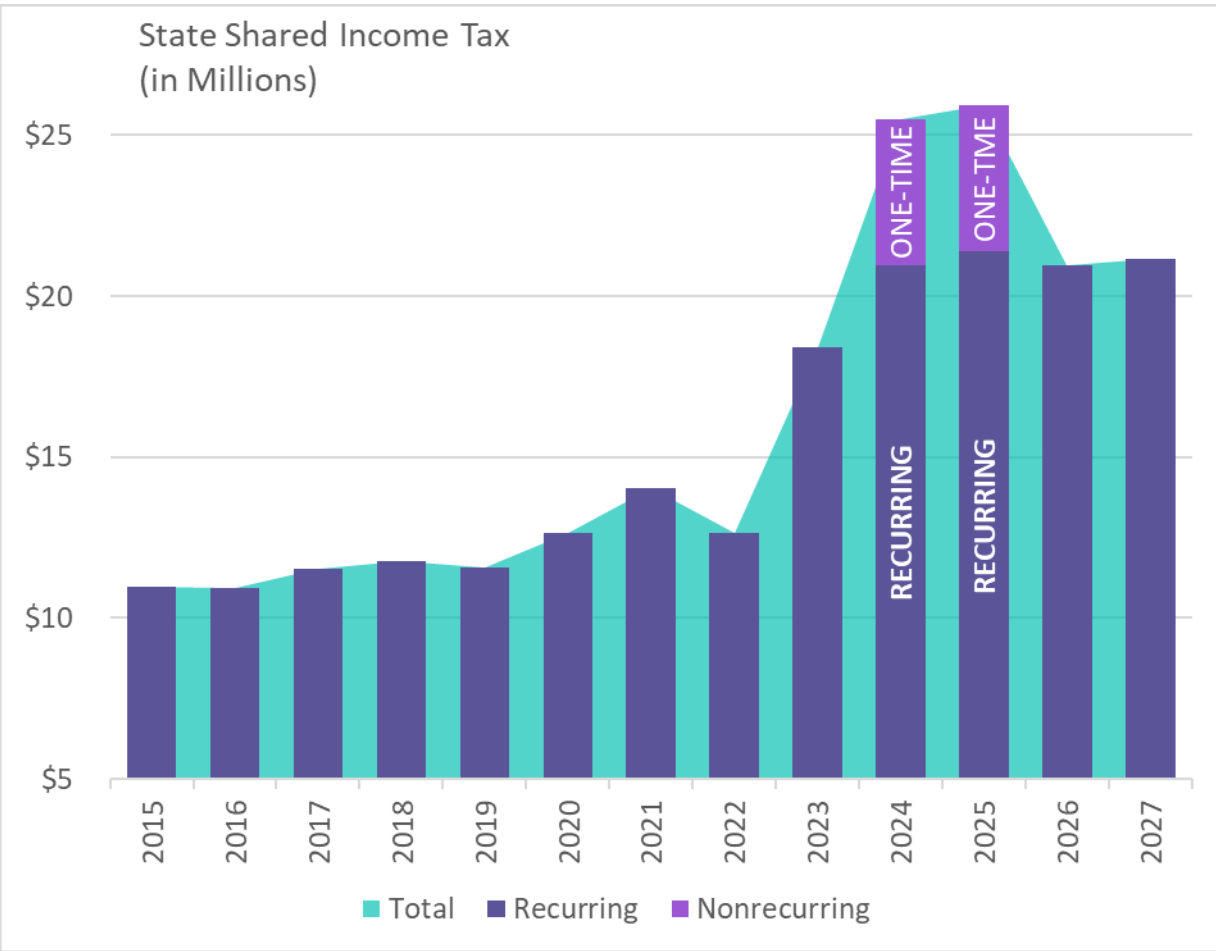
FY 2025:

- State moves from incremental Income tax to a flat 2.5% (effective CY 2023)
- Impacts cities and towns 1/2 FY 2025

FY 2026:

- New income tax rate impacts cities and towns the full FY 2026





Spikes in FY 2024 and FY 2025 should be considered one-time in nature, as they drop off in FY 2026. “Fiscal cliff” if relied upon.

If these one-time revenues are used to support ongoing GF operations, a significant shortfall will be realized in FY 2026.

A new fund in FY 2024 proposed budget is set to accumulate such one-time revenues: *“Capital Reserve and Contingency Fund”*

- Sales Tax:

- FY 2024 Estimate = \$33.6 million; 29% of GF budget
- Risks:
 - Local/States economy,
 - *Preemptive Legislation* (Restrict categories)

- Property Tax:

- FY 2024 Estimate (at the max) = \$16 million; 14% of GF budget
- Risks:
 - Local economy,
 - Preemptive Legislation (Reset Max Levy to Current; lost capacity in mid 2000's)

CITY SALES TAX (GF 1%)



CITY'S 1.7% SALES TAX		TOTAL OF (1.0% GENERAL; 0.5% ROAD; 0.2% PUBLIC SAFETY)				GENERAL FUND ONLY			
Category	Actual FY 2021	Actual FY 2022	% Change	Estimated FY 2023	% Change	Budget FY 204	% Change	Budget FY 204	% Change
Retail (non internet)	\$26,331,645	\$28,415,598	7.9%	\$29,978,456	5.5%	\$30,727,917	2.5%	\$18,075,245	2.5%
Restaurants and bars	4,756,792	5,818,497	22.3%	6,225,792	7.0%	6,362,759	2.2%	3,742,800	2.2%
Internet sales *	1,411,135	1,819,061	28.9%	2,091,920	15.0%	2,238,355	7.0%	1,316,679	7.0%
Hotels	986,472	1,382,398	40.1%	1,410,046	2.0%	1,438,247	2.0%	846,028	2.0%
Utilities	2,688,252	2,784,152	3.6%	2,686,707	-3.5%	2,632,973	-2.0%	1,548,807	-2.0%
All other	2,826,702	3,050,268	7.9%	2,989,263	-2.0%	2,959,370	-1.0%	1,740,806	-1.0%
Sub-Total Recurring	\$39,000,998	\$43,269,974	10.9%	\$45,382,183	4.9%	\$46,359,621	2.2%	\$27,270,365	2.2%
<i>Food for home consumption</i>	5,541,656	5,705,262	3.0%	6,846,314	20.0%	7,394,020	8.0%	4,349,423	8.0%
<i>Residential rental leasing</i>	186,121	343,233	84.4%	617,819	80.0%	803,165	30.0%	472,450	30.0%
Sub-Total At-Risk	\$5,727,777	\$6,048,495	5.6%	\$7,464,134	23.4%	\$8,197,185	9.8%	\$4,821,873	9.8%
Construction (Nonrecurring)	3,139,253	4,001,825	27.5%	3,141,433	-21.5%	2,827,289	-10.0%	1,663,111	-10.0%
Total City's 1.7% Tax	\$47,868,028	\$53,320,294	11.4%	\$55,987,750	5.0%	\$57,384,095	2.5%	\$33,755,350	2.5%

* Internet Sales = Marketplace facilitated or remote retail sales of food for home consumption

Does not include the City's Two Percent Tax

CITY SALES TAX RISKS

- Local/States Economy,
- *Preemptive Legislation (Restrict Categories)*



PROPERTY TAX



TRUTH-IN-TAXATION OVERVIEW

	FY 2022-23 (TY 2022)	FY 2023-24 (Tax Year 2023)						
		Appreciation to Base	A) Stay at Same Base Levy (0% Increase)			B) Back to Maximum Levy (4% Increase)		
			Base	New Construction	Total	Base	New Construction	Total
Proposed 2023-24 Tax Levy	-	-	\$ 15,104,827	\$ 312,305	\$ 15,417,132	\$ 15,715,831	\$ 324,945	\$ 16,040,776
Total Assessed Valuation	\$ 688,774,583	\$ 33,858,798	722,633,381	14,941,378	737,574,759	722,633,381	14,941,378	737,574,759
Taxed on per \$100	6,887,746		7,226,334	149,414	7,375,748	7,226,334	149,414	7,375,748
Primary Property Tax Rate	2.1930		2.0902	2.0902	2.0902	2.1748	2.1748	2.1748
Primary Tax Levy	15,104,827		15,104,483	312,305	15,416,788	15,715,831	324,945	16,040,776
			\$ (344) difference due to rounding 0.00%			\$ 611,004 4.05%	TNT required (Max increases 2% per year)	
TNT (Truth-in-Taxation)			Not to be Published			Required to Publish	Difference: Stay at Same Base vs. Continue at the Max	
Home Value			\$ 209.02			\$ 217.48		
2023-24 Primary Property Tax Levy per \$100,000 Home Value if the Tax Rate was not adjusted in FY 2024			209.02			209.02	FY 2024	\$ 623,988
Proposed 2023-24 Primary Property Tax Levy Increase(Decrease) per \$100,000 Home Value			-			8.4600	FY 2023	\$ 303,060

PROPERTY TAX RISKS

- Local Economy, *Preemptive Legislation (Reset Max Levy in mid 2000's)*



RESILIENCE (STRESS) TESTS



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BUDGETING AND FORECASTING

Stress Tests: Building Budgeting Resilience in an Ever-Changing World

Stressing the forecast: Based on the previous pages, a goal is to maintain revenue line above the expenditure line focusing on major revenue *step one*.

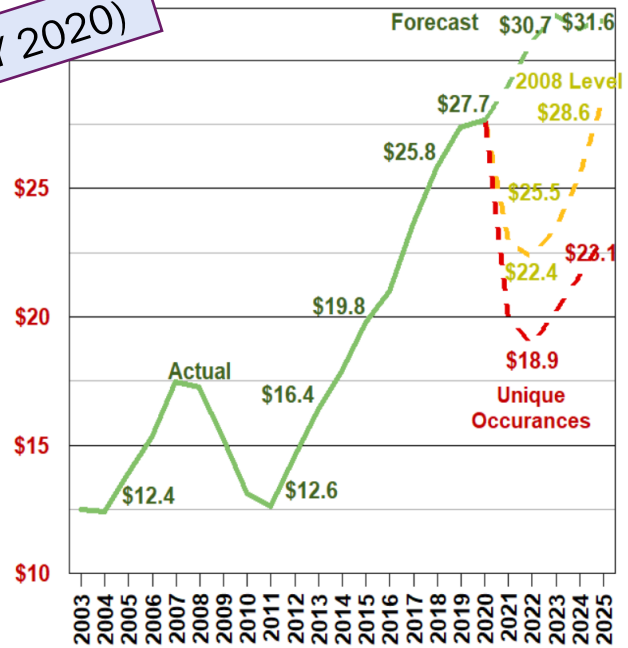
shows the current revenue that is then stressed in two scenarios.

Yellow line: runs a trend that mirrors the economic downturn late 2008 through 2011 for each major revenue.

Red line: represents a unique situation, either legislative action or a change in the revenue base for each major revenue.

Step two is to test how these two scenarios support the Towns forecasted expenditures for operations, debt payments, capital improvements, planned repairs and replacement of vehicles and equipment.

Paradise Valley June 2019 (FY 2020)



FY 2023 SUMMARY (NO CHANGE)



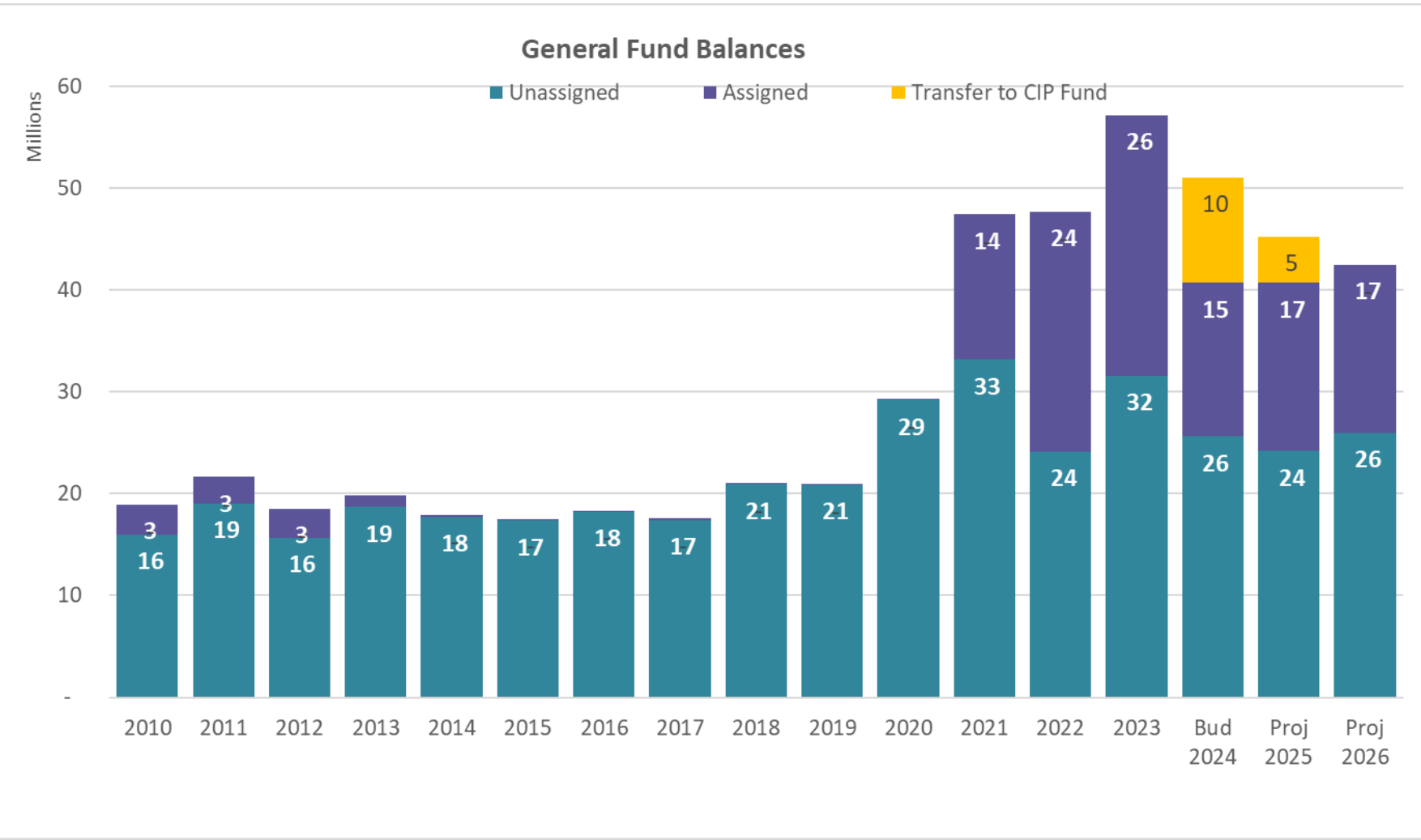
Under current conditions there are **no immediate indications in revenue or spending trends to warrant mitigating action** to reduce or restrict expenditure budgets or City's operations and services.

Like the rest of the nation, the **on-going caution for disruptions in economic and consumer confidence** related to supply chains, inflationary factors, and the availability of materials and labor.

Continue **staying flexible and adaptable** with contingency plans and actions identified will assist the City in navigating these concerns.

Management will continue **monitoring revenues, economic factors and legislative actions** and will alert City Council with mitigating actions if revenue trends or risk indicators signal the onset of adverse conditions that will be detrimental to the City's financial condition.

FUND BALANCE – ASSIGNED AND UNASSIGNED (\$)



FUND BALANCES

- Accumulated balance carried forward year-to-year
- Assigned or unassigned (budget)

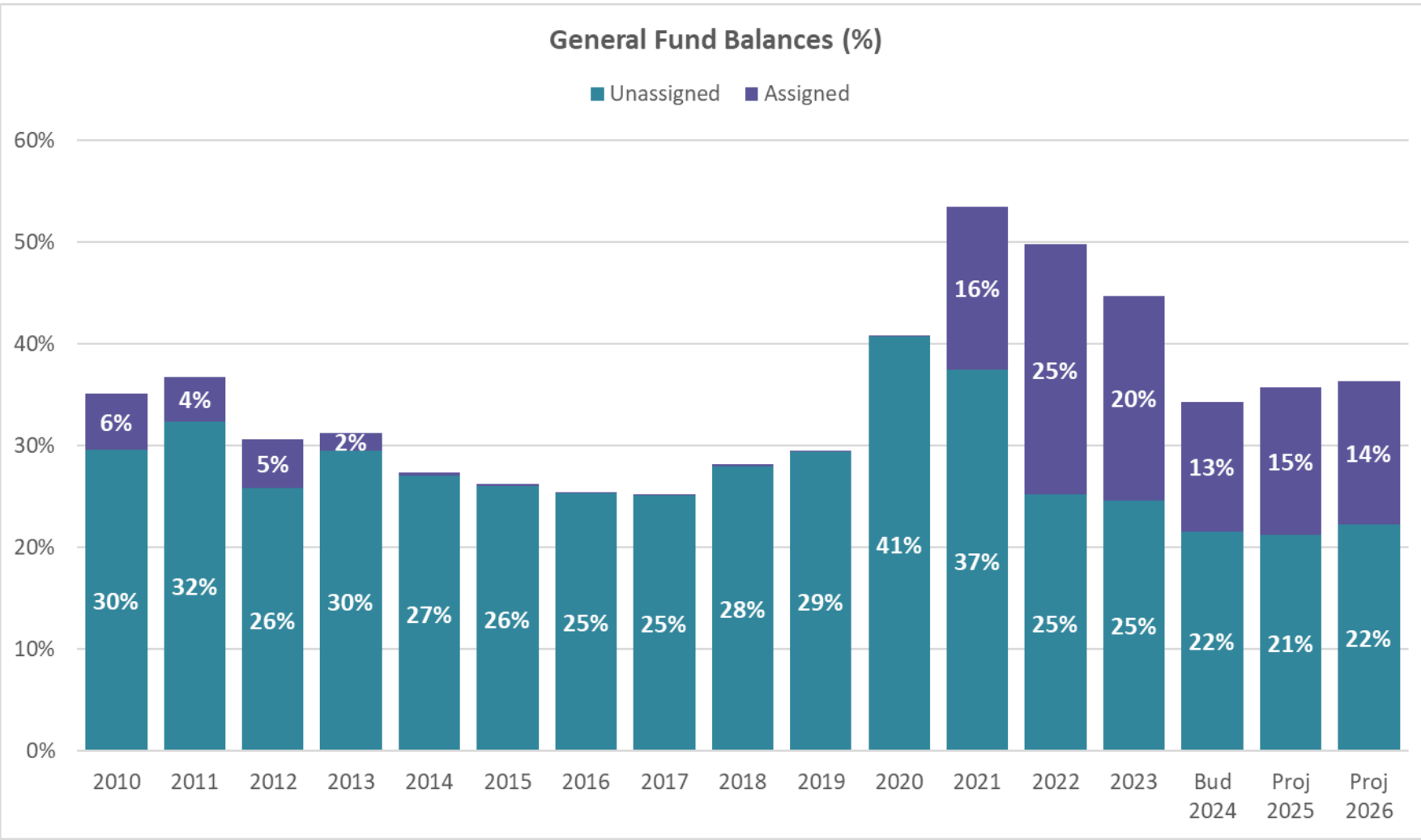
NEW FUND FY 2024

LIKE OLD FUND FY 1990-2007

- Capital Reserve and Contingency
- Funded with 3-year's non-recurring revenue
- Income Tax, Permits above baseline
- Seeds CIP contingency; actual paid by applicable source (Road Tax, etc)
- Can pull back to GF to augment lost revenue (one-time) if can be replenished
- Designate for CIP; grant matches in FY2026 or
- Quasi-rainy day fund



FUND BALANCE – ASSIGNED AND UNASSIGNED (%)

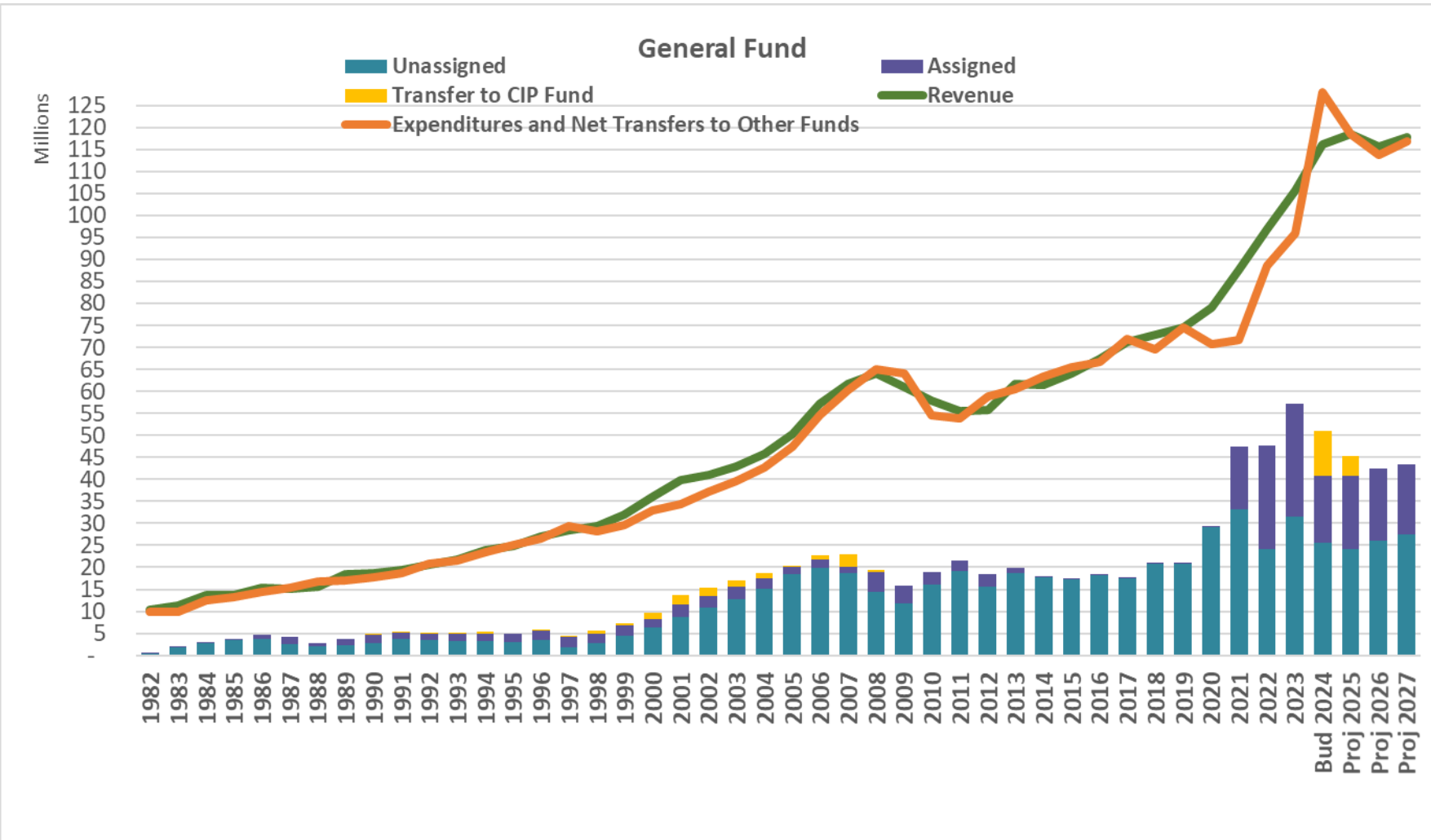


COY POLICY

- Benchmark carrying **no less than 20%** of revenues or subsequent years expenditures
- For supply chain delays, funds have been encumbered and assigned for specific purchases to be carried forward until orders are fulfilled (Police and Fire equipment & vehicles, etc)
- GFOA’s recommendation adds other considerations such as volatility, exposure to covering more than the GF, bond rating, rainy day funds, diversity of revenues; and a plan to replenish if used



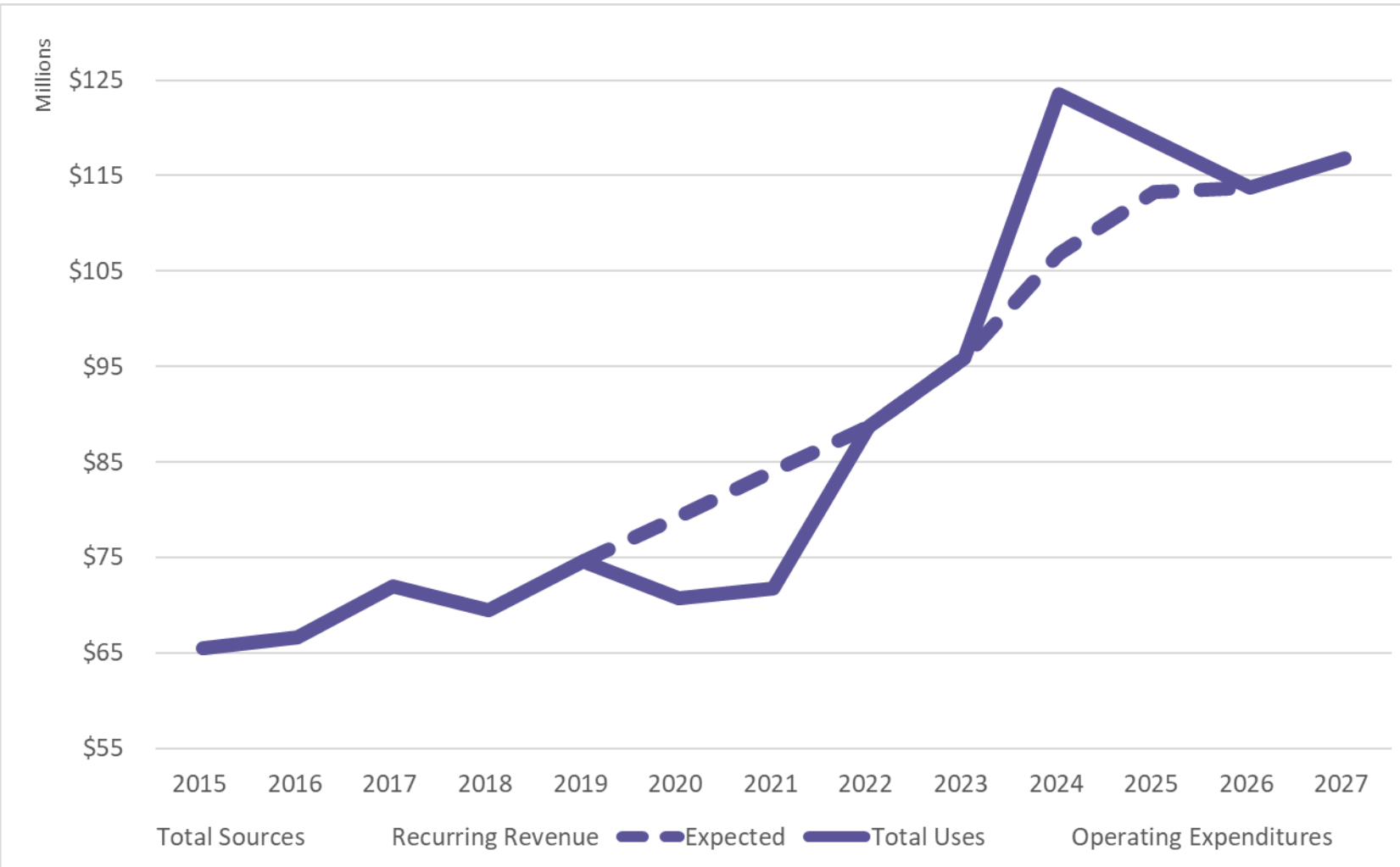
FUND BALANCE - HISTORICAL



REVENUE
EXPENDITURES
FUND BALANCE AND
TRANSFERS TO CIP

DEFICITS

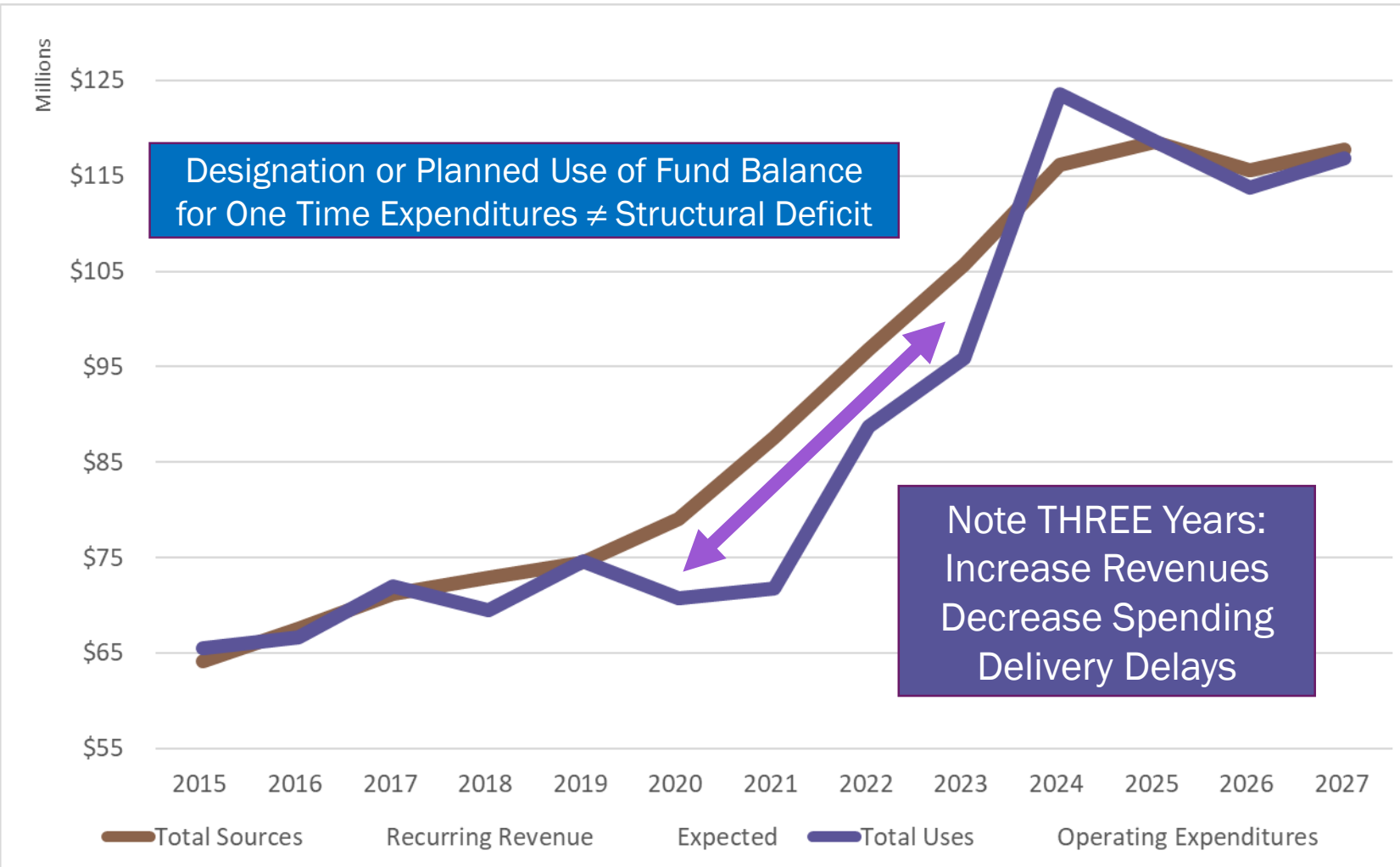
- Structural (Operating)
- Budgetary (One-time)
- Planned use of prior fund balance
- Planned use of assigned fund balance



NOT TYPICAL YEARS

- Expected to see smooth line
- Unless big projects or other one-time outflows such as: supply chain delays





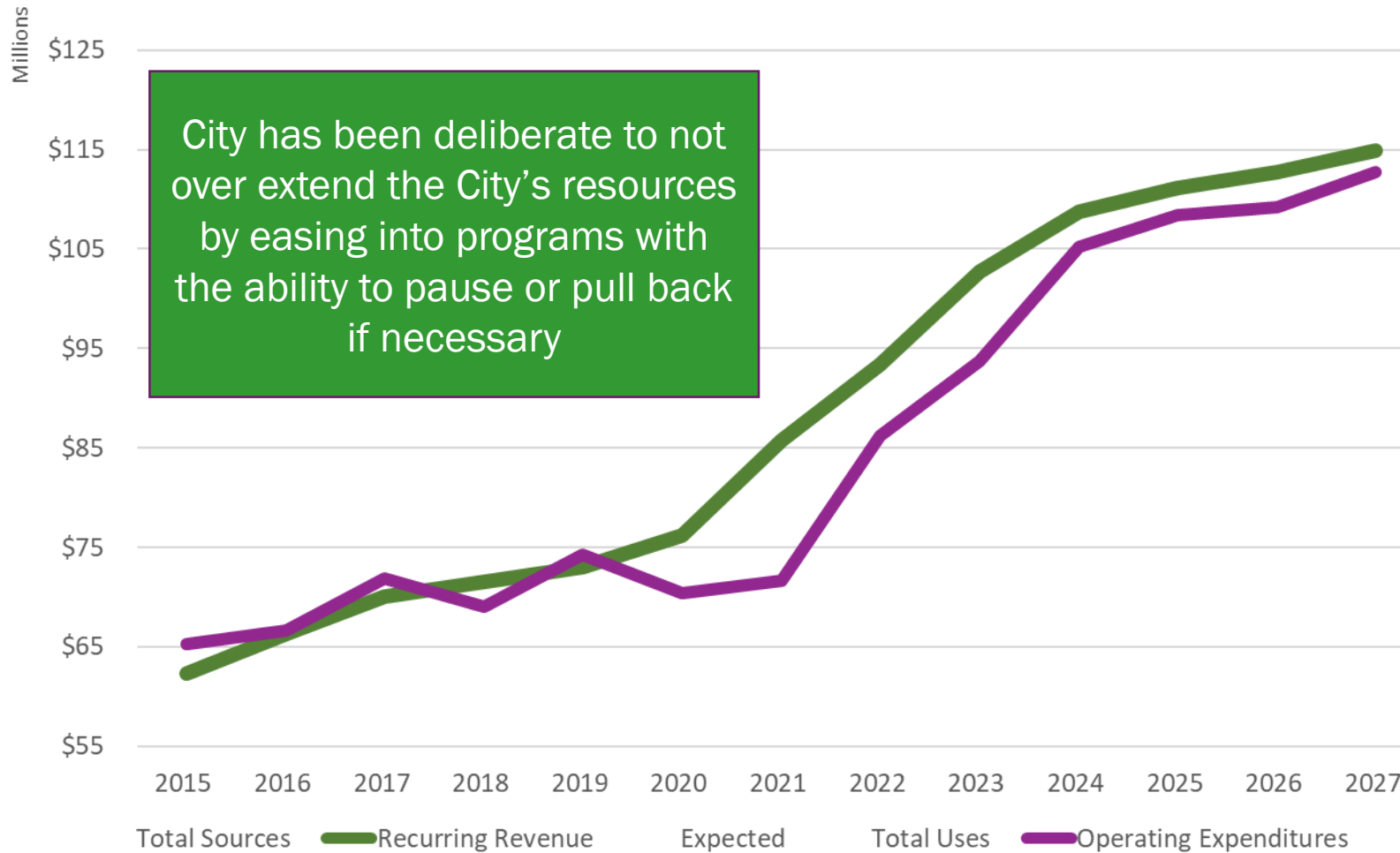
NOT TYPICAL YEARS

- Expected to see smooth line
- Unless big projects or other one-time outflows such as: supply chain delays

BUDGET DEFICITS

- Not Structural
- Planned use of prior fund balance
- Planned use of assigned fund balance





FY 2024-27 Assertions

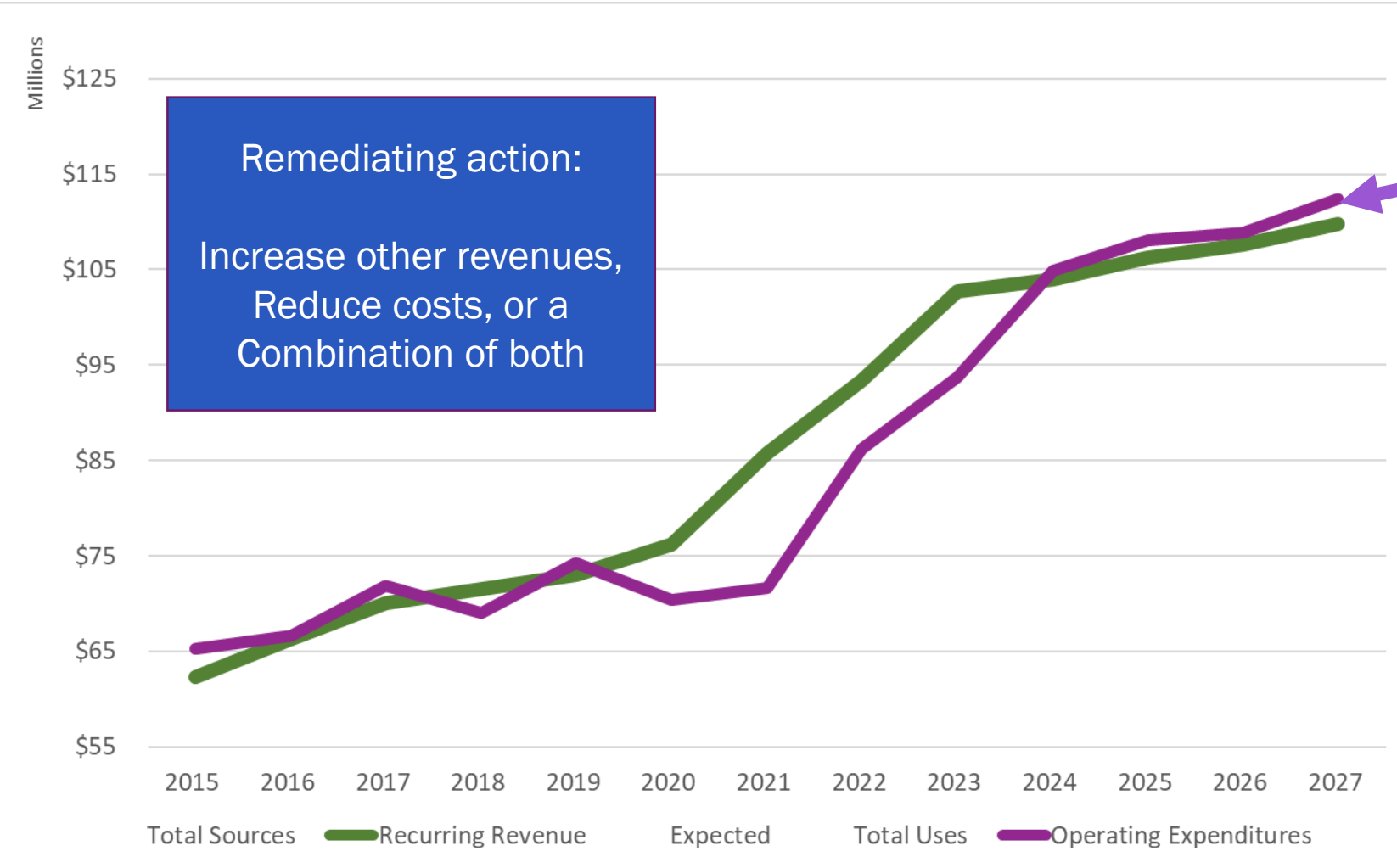
- **REVENUE**

- Grocery/Rent tax included
- City Sales Tax 2%
- Property Tax 4% (New C)
- Income Tax (See Slide 8)
- State Sales Tax 1.5%
- VLT 1%; All other 0%-2%

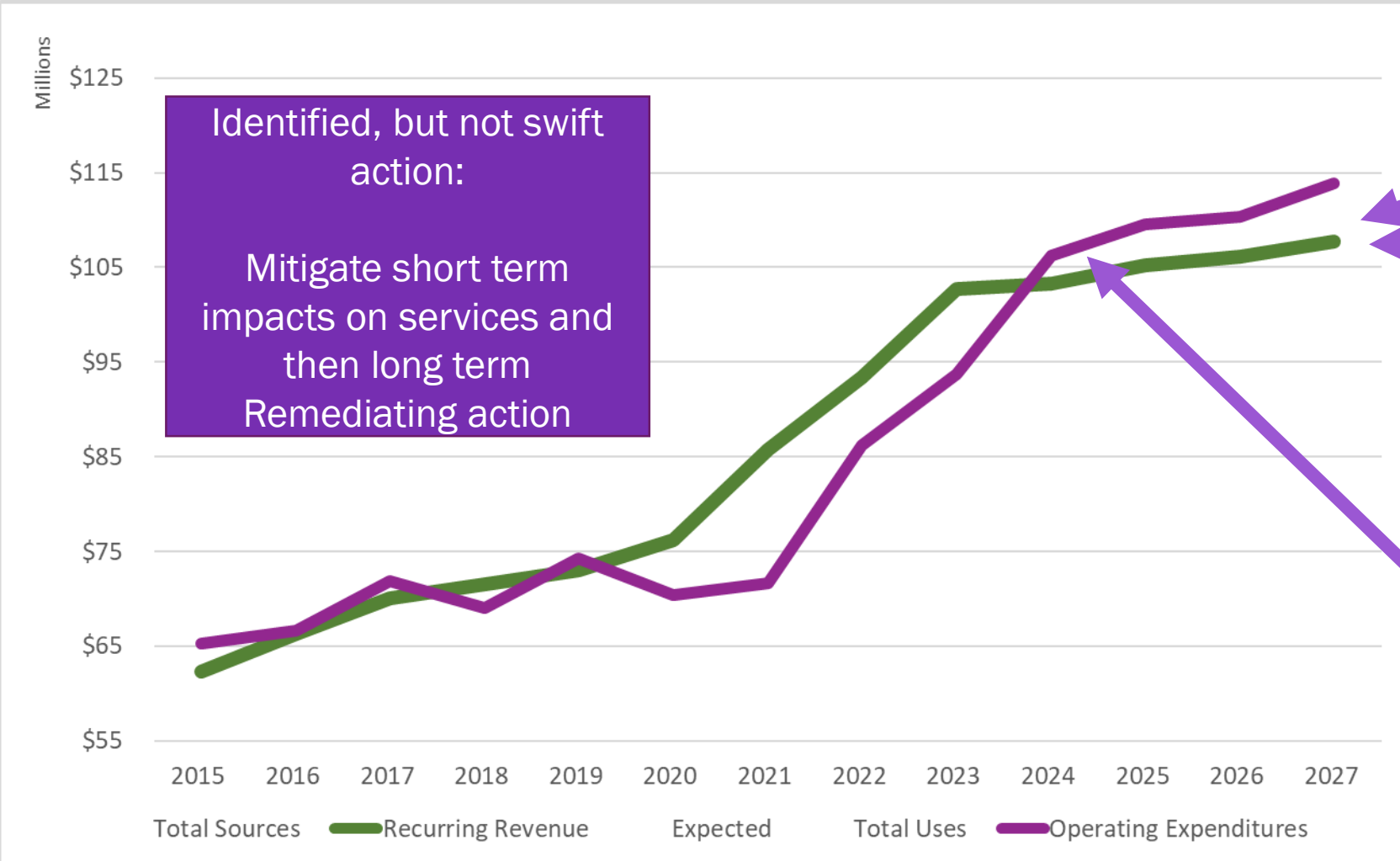
- **EXPENDITURES**

- Personnel
 - 5-6% wages
 - 2-3% health
 - 8% Reversion
 - (12-18% recent)
- Operating 2%
- Debt and Vehicle rents per Schedules





- ### FY 2024-27 Assertions
- REVENUE
 - Grocery/Rental tax gone
 - City Sales Tax 2%
 - Property Tax 4% (New-C)
 - Income Tax (See Slide 8)
 - State Sales Tax 1.5%
 - VLT 1%; All other 0%-2%
 - EXPENDITURES
 - Personnel
 - 5-6% wages
 - 2-3% health
 - 8% Reversion
 - (12-18% recent)
 - Operating 2%
 - Debt and Vehicle rents per Schedules



FY 2024-27 Assertions

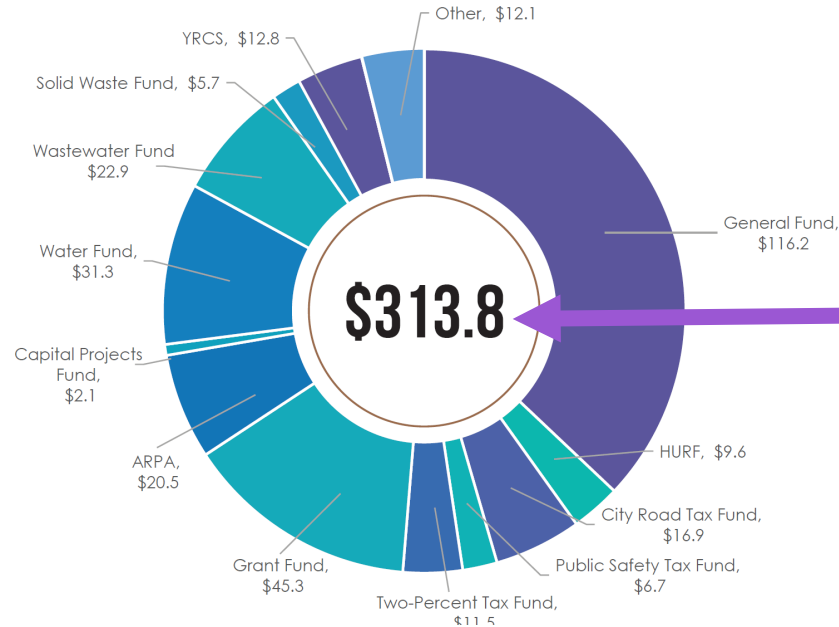
- REVENUE
 - Grocery/Rental tax gone
 - City Sales Tax 2%
 - Property Tax Flat
 - Income Tax (See Slide 8)
 - State Sales Tax 1.5%
 - VLT 1%; All other 0%-2%
- EXPENDITURES
 - Personnel
 - 5-6% wages
 - 2-3% health
 - 8% Reversion
 - (12-18% recent)
 - Operating not held flat +6%
 - Debt and Vehicle rents per Schedules

IDEAL – STATUS QUO

FY 2024 REVENUES

\$313.8 All Funds

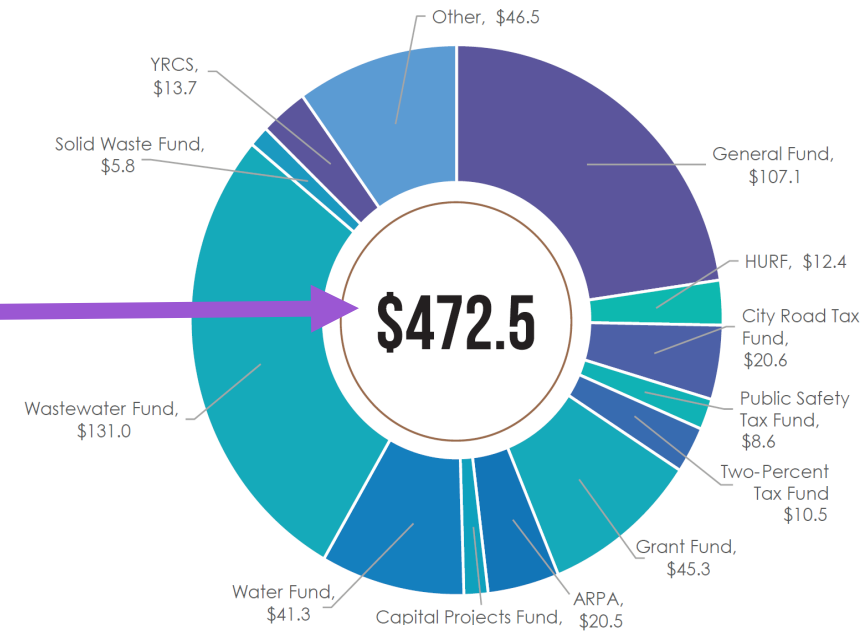
- \$116.2 General Fund
- \$9.6 HURF
- \$16.9 City Road Tax Fund
- \$6.7 Public Safety Tax Fund
- \$11.5 Two-Percent Tax Fund
- \$45.3 Grant Fund
- \$20.5 ARPA
- \$2.1 Capital Projects Fund
- \$31.3 Water Fund
- \$22.9 Wastewater Fund
- \$5.7 Solid Waste Fund
- \$12.8 YRCS
- \$12.1 Other



FY 2024 EXPENDITURES

\$472.5 All Funds

- \$107.1 General Fund
- \$12.4 HURF
- \$20.6 City Road Tax Fund
- \$8.6 Public Safety Tax Fund
- \$12.8 Two-Percent Tax Fund
- \$45.3 Grant Fund
- \$20.5 ARPA
- \$6.9 Capital Projects Fund
- \$41.3 Water Fund
- \$131.0 Wastewater Fund
- \$5.8 Solid Waste Fund
- \$13.7 YRCS
- \$46.5 Other



The difference between revenues and expenditures are planned uses of fund balance

Discussion & Direction – Mayor and City Council



Next Topic: End Quarterly Update; Start FY 2024 Budget



QUARTERLY FINANCIAL BRIEFING

3RD QUARTER FY 2023

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