

# QUARTERLY FINANCIAL BRIEFING

3<sup>RD</sup> QUARTER FY 2023

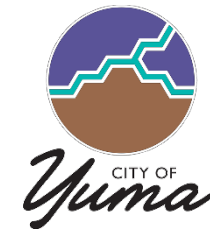
## Part I:

Grants Program (ARPA)

FY 2023 Financial Status

---

**Part II:** *FY 2024 Outlook*





# Quarterly Financial Update

3<sup>rd</sup> 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







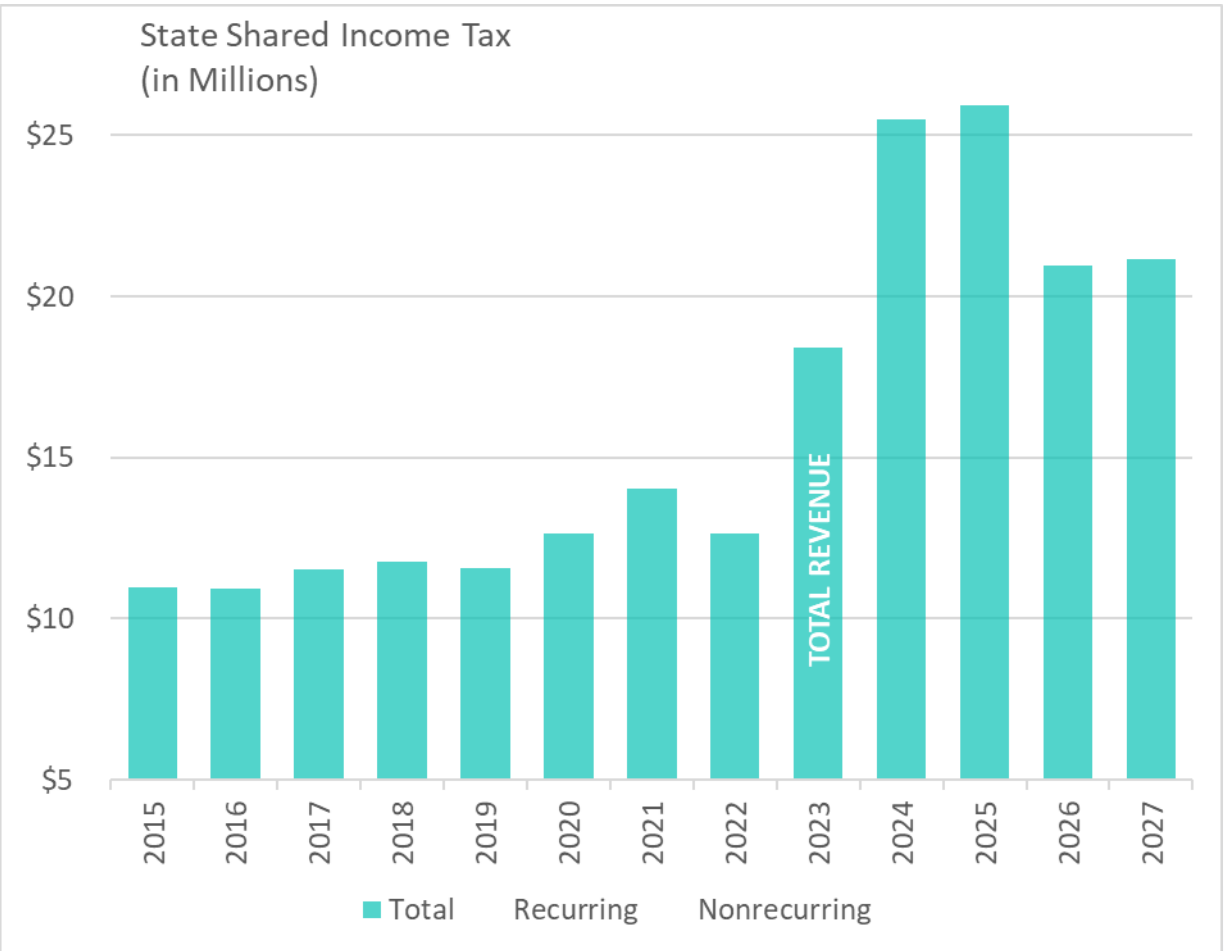
## ESTIMATED FY 2024

- \$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

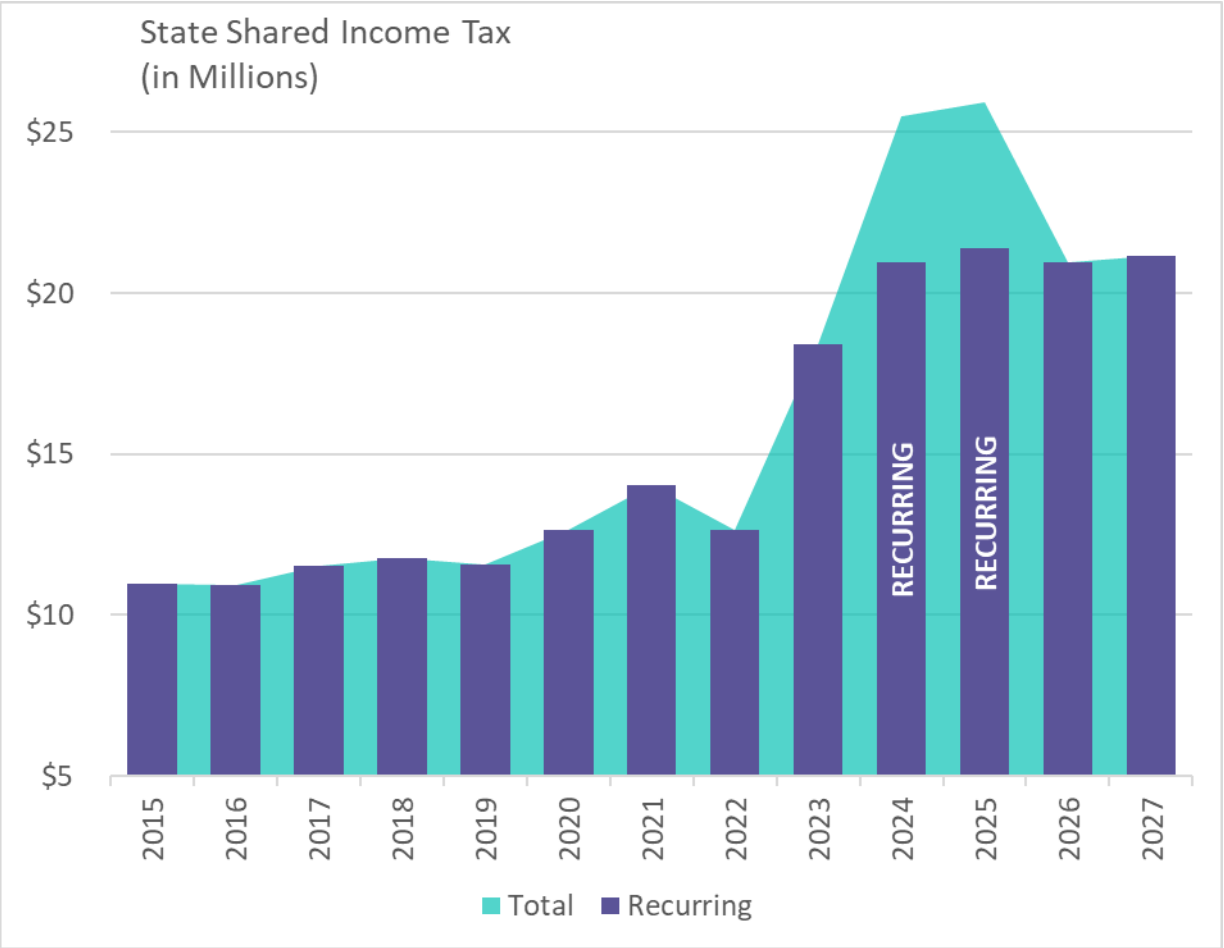
- \$14.4 million; 12% of GF Budget

## BASIS:

- State-wide sales tax collections and population
- When the State-wide pie gets larger
  - 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



## FY 2024:

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

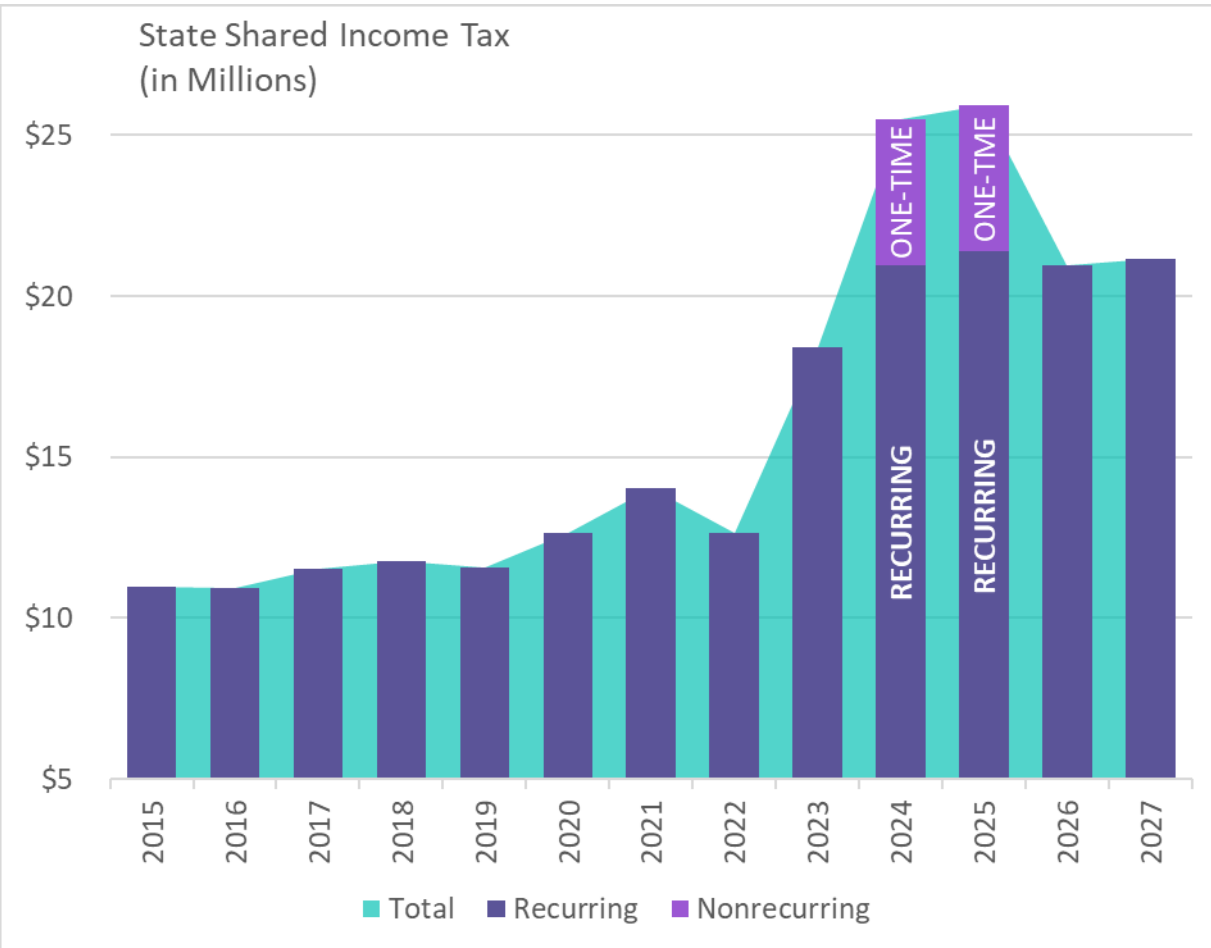
## FY 2025:

- 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%
<b>Sub-Total Recurring</b>	<b>\$39,000,998</b>	<b>\$43,269,974</b>	<b>10.9%</b>	<b>\$45,382,183</b>	<b>4.9%</b>	<b>\$46,359,621</b>	<b>2.2%</b>	<b>\$27,270,365</b>	<b>2.2%</b>
<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%
<b>Sub-Total At-Risk</b>	<b>\$5,727,777</b>	<b>\$6,048,495</b>	<b>5.6%</b>	<b>\$7,464,134</b>	<b>23.4%</b>	<b>\$8,197,185</b>	<b>9.8%</b>	<b>\$4,821,873</b>	<b>9.8%</b>
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%
<b>Total City's 1.7% Tax</b>	<b>\$47,868,028</b>	<b>\$53,320,294</b>	<b>11.4%</b>	<b>\$55,987,750</b>	<b>5.0%</b>	<b>\$57,384,095</b>	<b>2.5%</b>	<b>\$33,755,350</b>	<b>2.5%</b>

\* 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
<b>Proposed 2023-24 Tax Levy</b>	-	-	\$ 15,104,827	\$ 312,305	\$ 15,417,132	\$ 15,715,831	\$ 324,945	\$ 16,040,776
<b>Total Assessed Valuation</b>	\$ 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
<b>Primary Property Tax Rate</b>	<b>2.1930</b>		<b>2.0902</b>	2.0902	2.0902	<b>2.1748</b>	2.1748	2.1748
<b>Primary Tax Levy</b>	<b>15,104,827</b>		<b>15,104,483</b>	312,305	<b>15,416,788</b>	15,715,831	324,945	<b>16,040,776</b>
			\$ (344) difference due to rounding 0.00%			\$ 611,004 4.05%	TNT required (Max increases 2% per year)	
<b>TNT (Truth-in-Taxation)</b>			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			-			<b>8.4600</b>	FY 2023	\$ 303,060

## PROPERTY TAX RISKS

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





# RESILIENCE (STRESS) TESTS



MEMBER COMMUNITIES LEARNING DASHBOARD EVENTS MATERIALS LIBRARY LOG IN | SIGN UP

MEMBERSHIP & EDUCATION

BEST PRACTICES & RESOURCES

ADVOCACY & AWARDS PROGRAMS

I WANT TO

SEARCH

Home / Materials Library / Stress Tests: Building Budgeting Resilience in an Ever-Changing World

BUDGETING AND FORECASTING

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

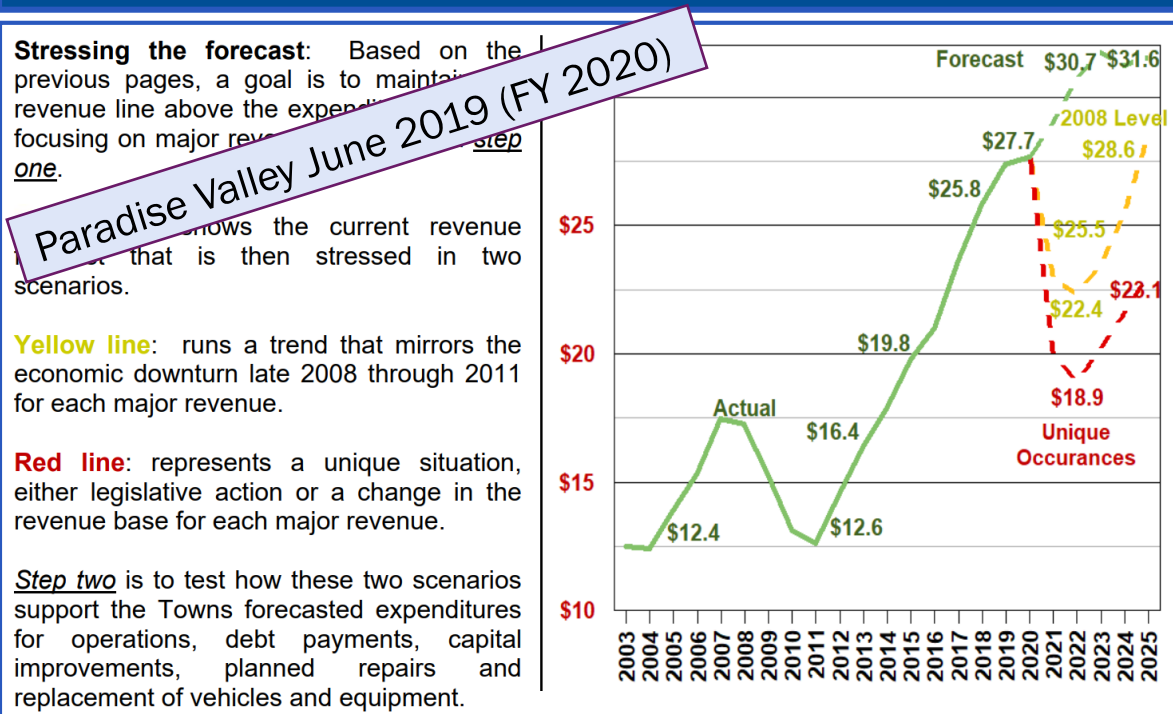
**Stressing the forecast:** Based on the previous pages, a goal is to maintain revenue line above the expenditure line focusing on major revenue step one.

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.

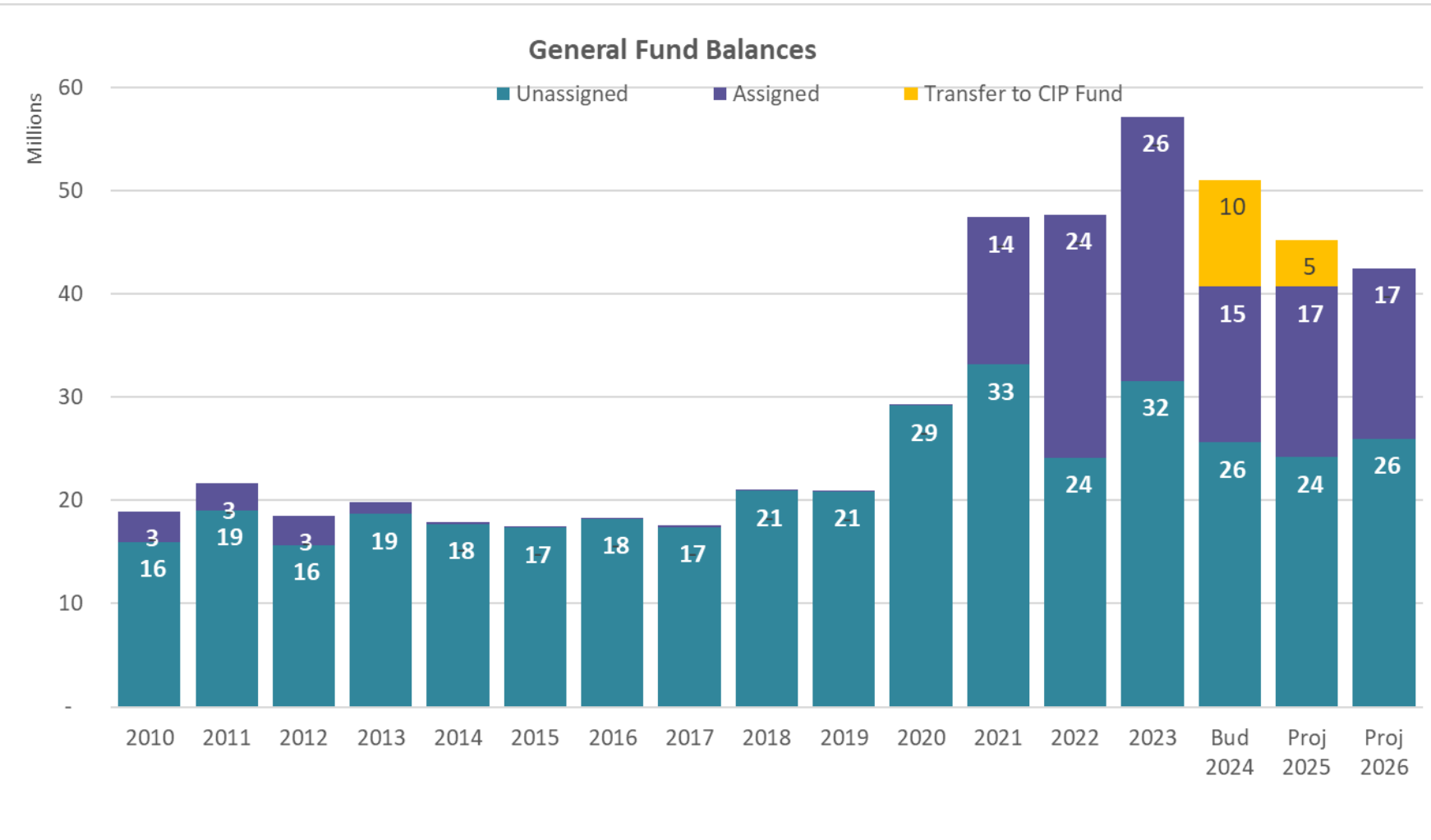
Like the rest of the nation, the **on-going caution for disruptions in economic and consumer confidence** related to supply chains, inflationary factors, and the availability of materials and labor.

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)

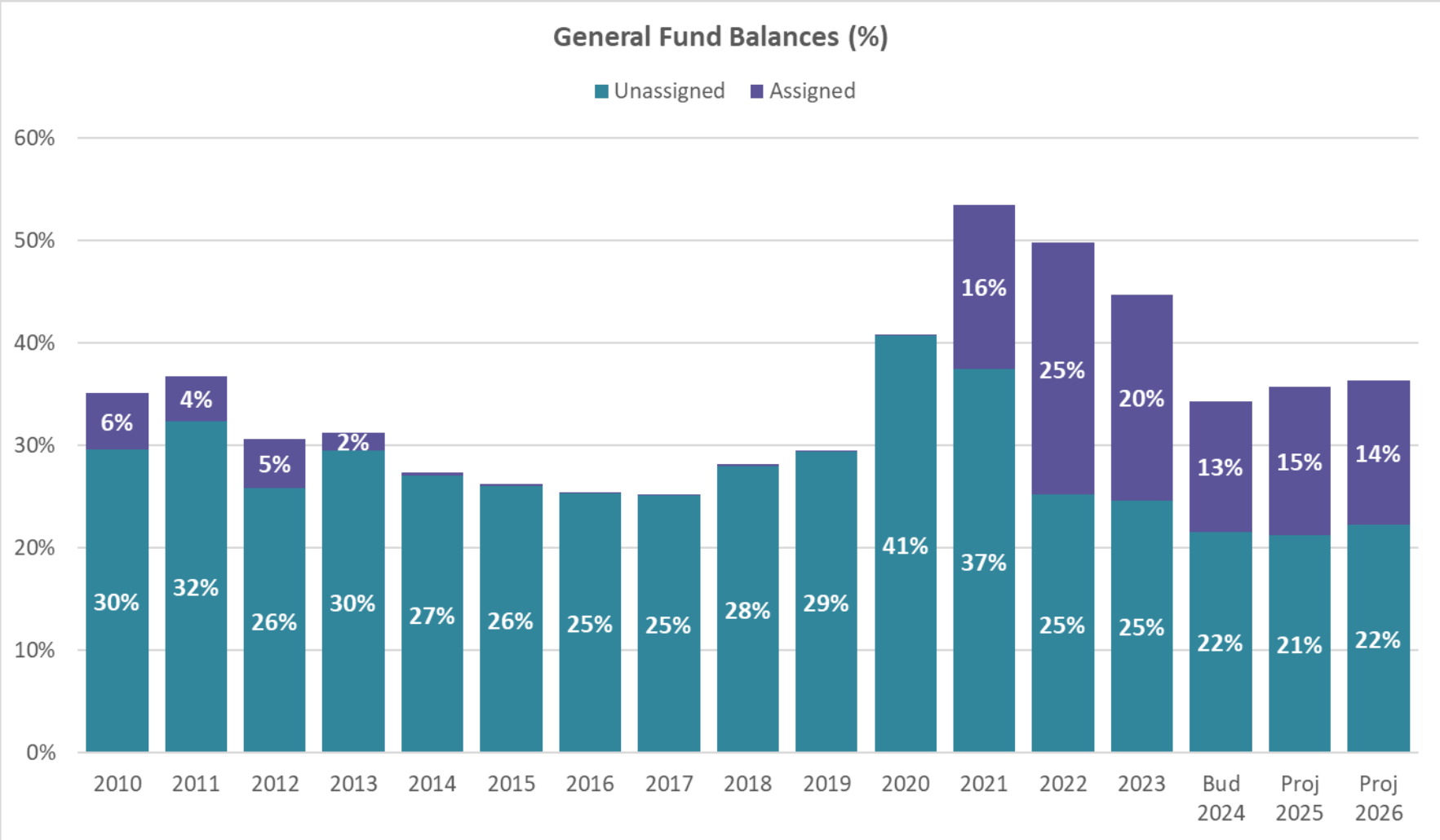
## NEW FUND FY 2024

### *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 (%)

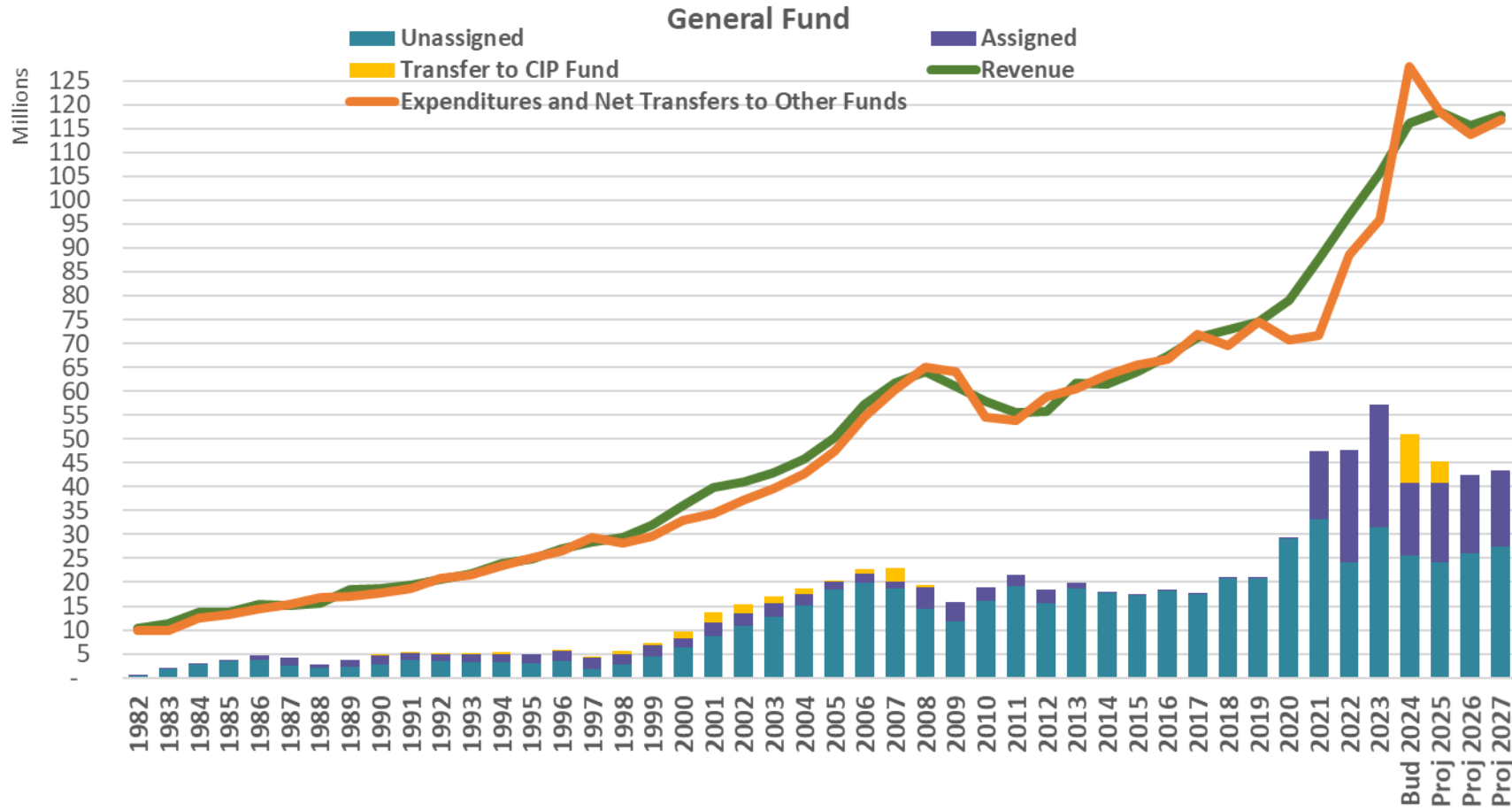


## COY POLICY

- 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



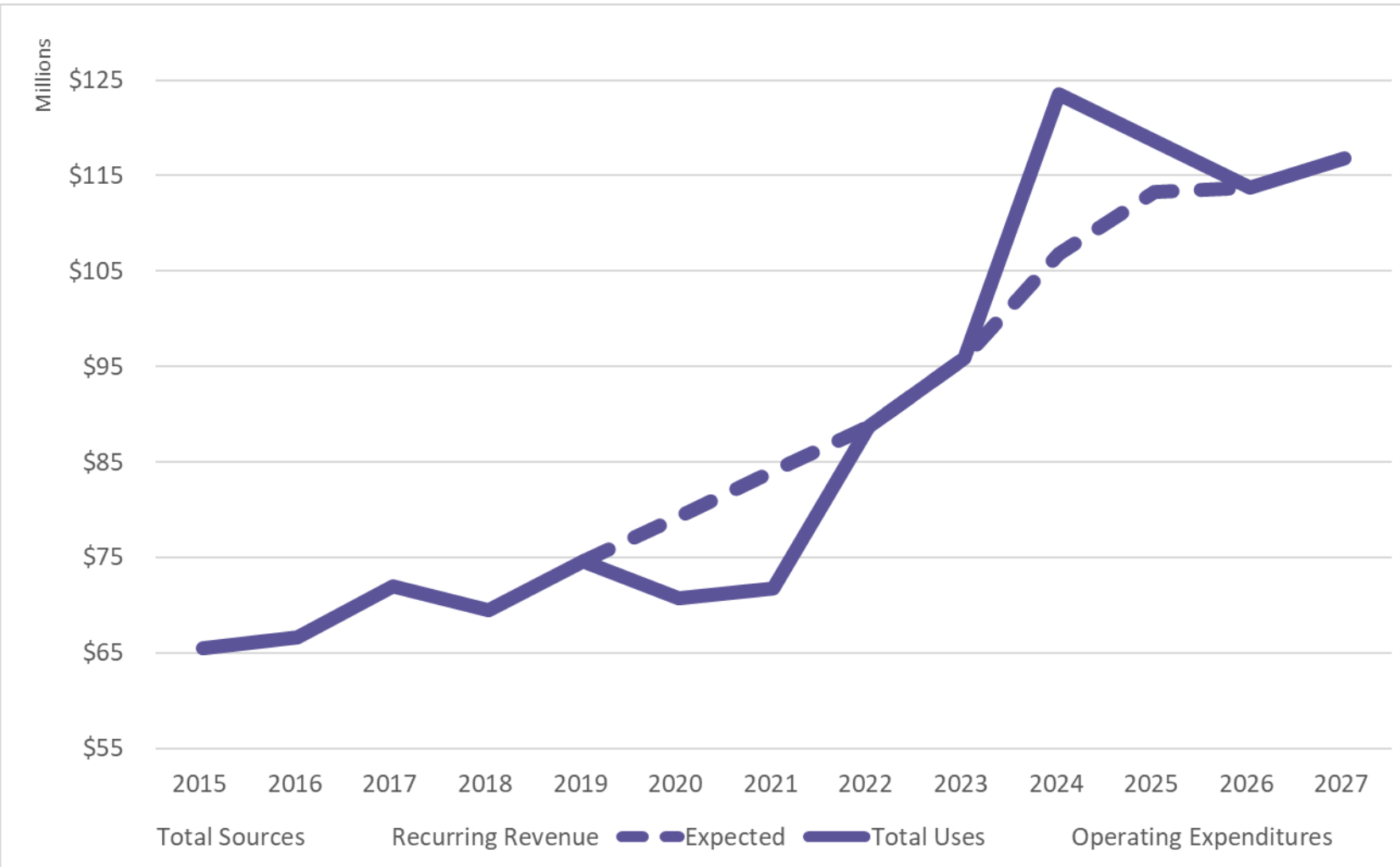
# FUND BALANCE - HISTORICAL



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

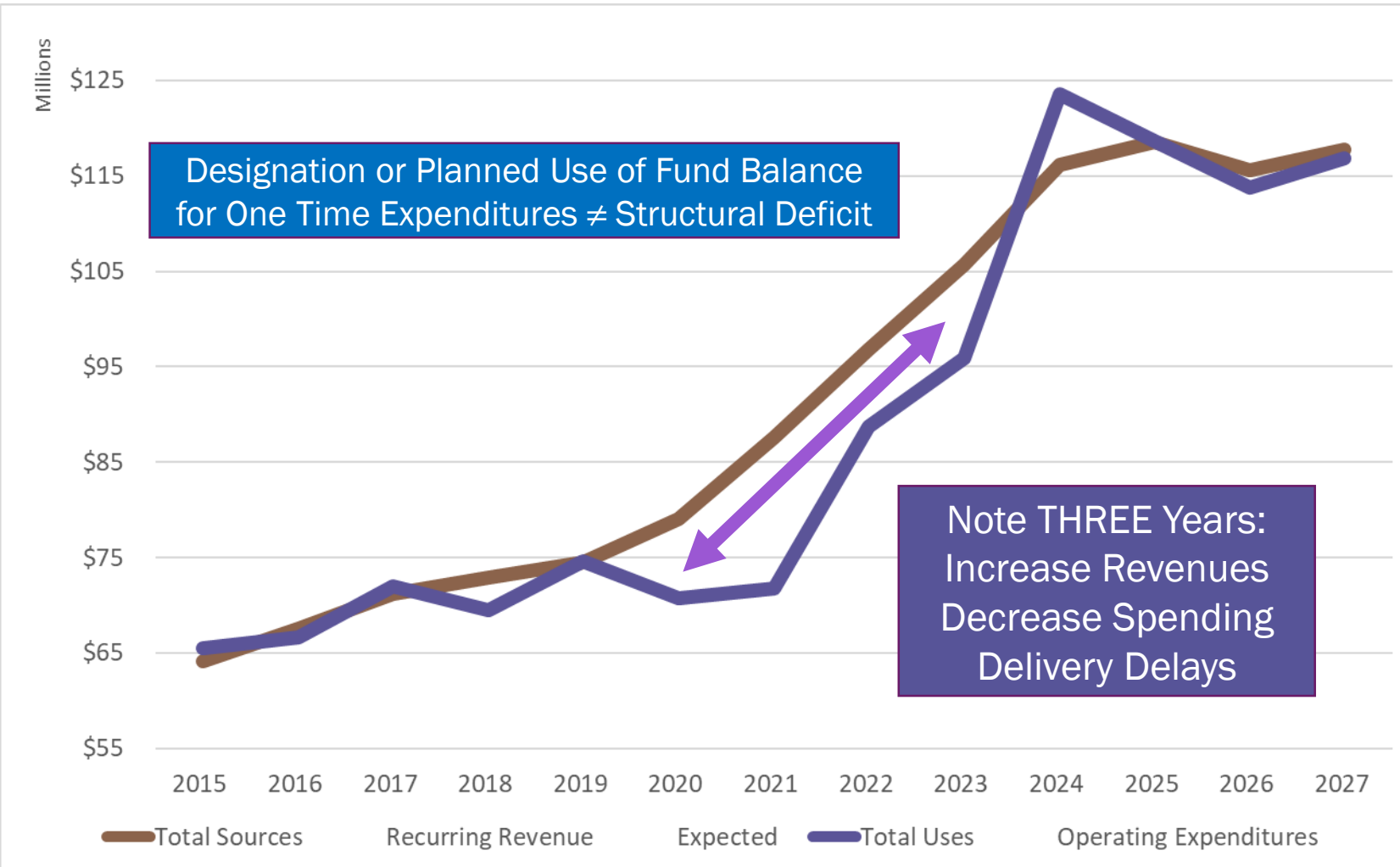


### NOT TYPICAL YEARS

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







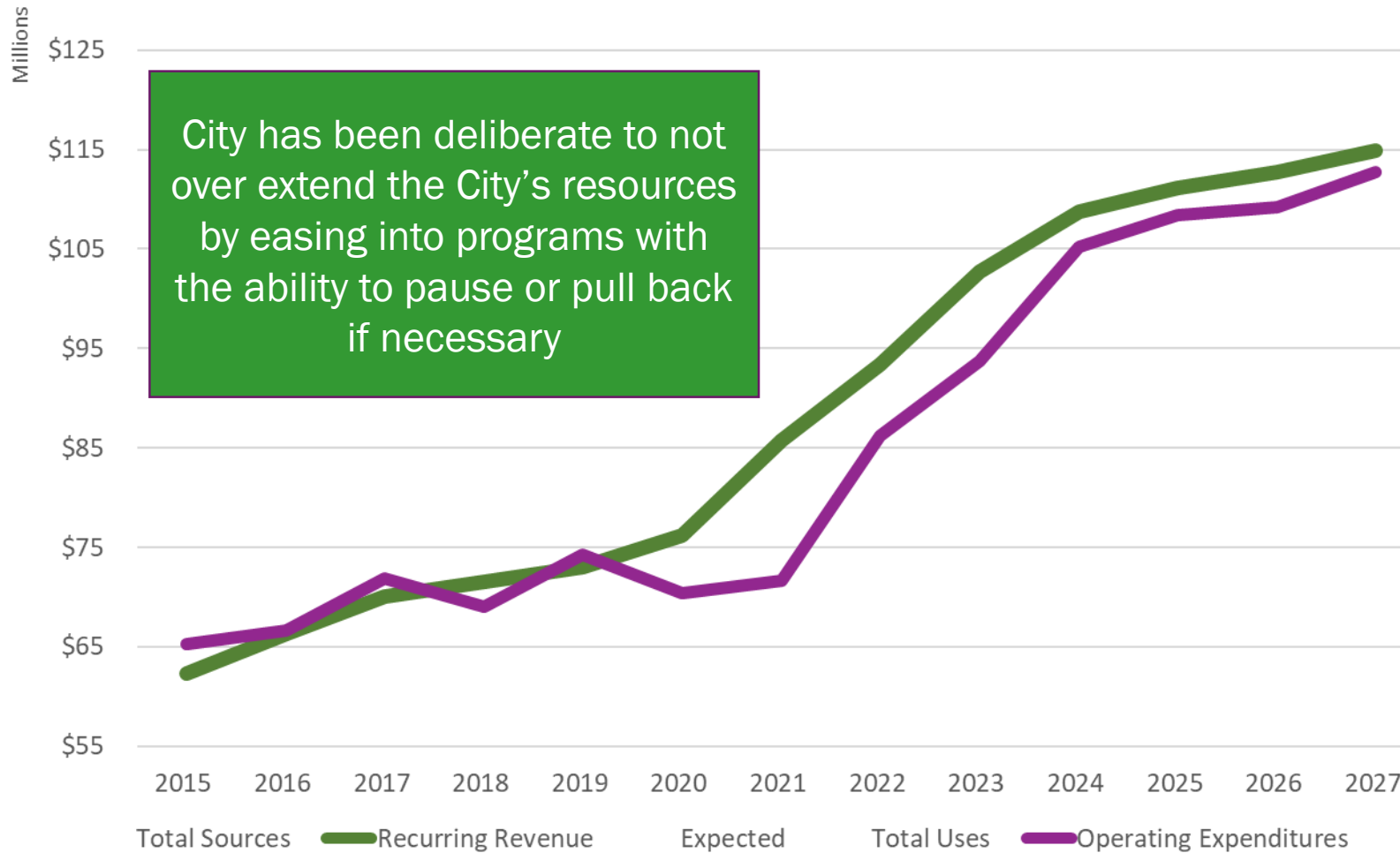
## NOT TYPICAL YEARS

- 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

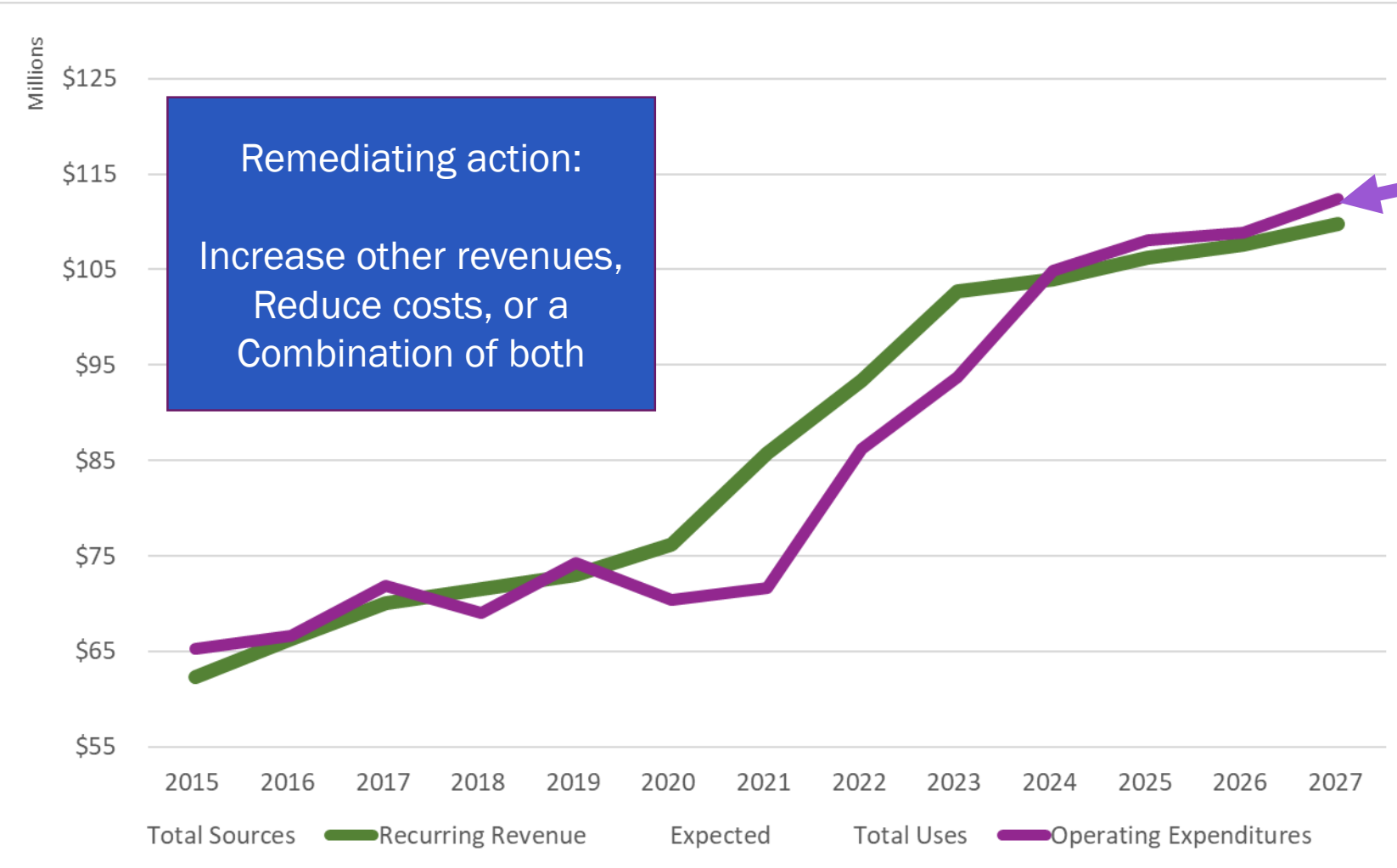
- **REVENUE**

- 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%

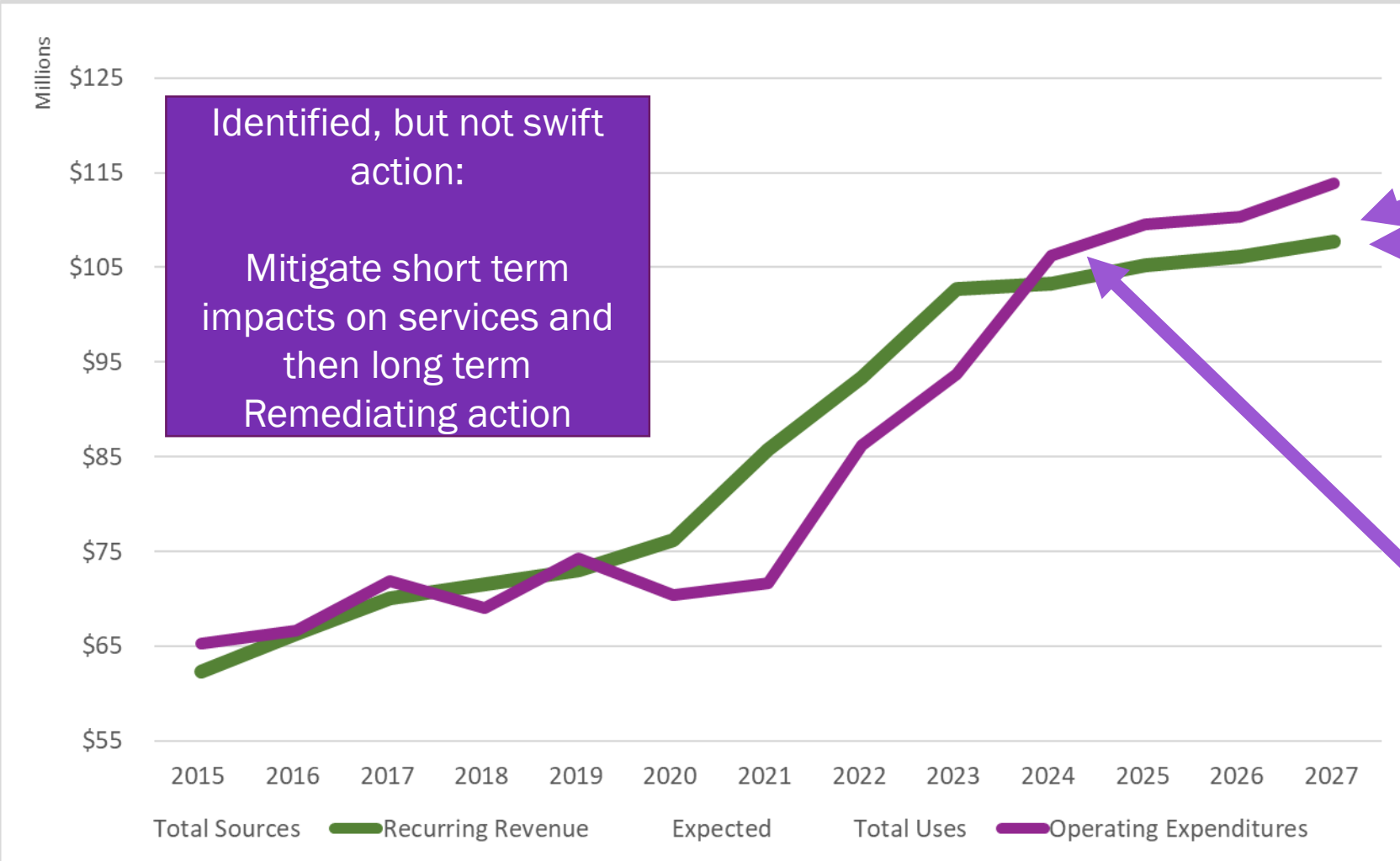
- **EXPENDITURES**

- 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

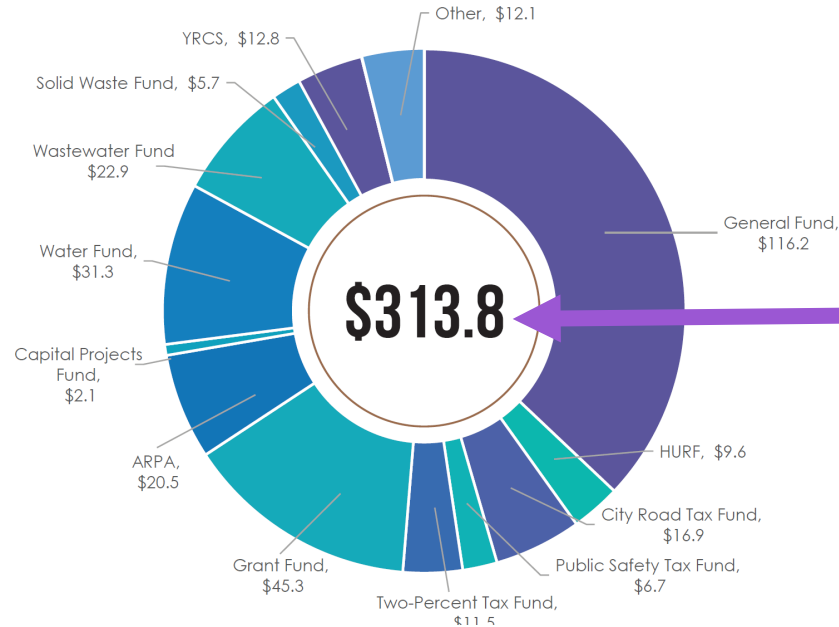


# IDEAL – STATUS QUO

## FY 2024 REVENUES

### \$313.8 All Funds

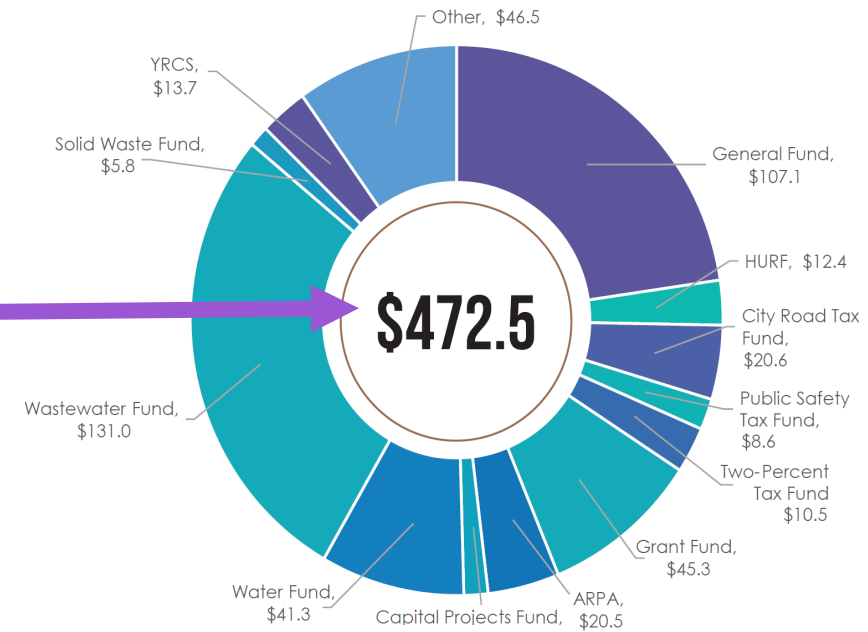
- \$116.2 General Fund
- \$9.6 HURF
- \$16.9 City Road Tax Fund
- \$6.7 Public Safety Tax Fund
- \$11.5 Two-Percent Tax Fund
- \$45.3 Grant Fund
- \$20.5 ARPA
- \$2.1 Capital Projects Fund
- \$31.3 Water Fund
- \$22.9 Wastewater Fund
- \$5.7 Solid Waste Fund
- \$12.8 YRCS
- \$12.1 Other



## 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

3<sup>RD</sup> QUARTER FY 2023

## Part I:

Grants Program (ARPA)

FY 2023 Financial Status

---

***Part II: FY 2024 Outlook***

