

**MAYOR AND COUNCIL PUBLIC MEETING NOTICE
SPECIAL MEETING - MAY 18, 2023 AT 5:30 PM**



MINUTES

1. **CALL TO ORDER:** Mayor, Donald C. Huish 5:30 p.m.
2. **CALL TO ORDER:** Chair, Mitch Lindemann 5:30 p.m.
3. **PLEDGE OF ALLEGIANCE.** by Council and Finance Committee
4. **ROLL CALL:** Mayor, Donald C. Huish

| | PRESENT | ABSENT |
|-------------------------------------|---------|-------------|
| MAYOR, DONALD C. HUISH | X | |
| MAYOR PRO TEMPORE, MARGARET MORALES | | X (excused) |
| COUNCILMEMBER, MITCH LINDEMANN | X | |
| COUNCILMEMBER, DANYA ACOSTA | X | |
| COUNCILMEMBER, RAY SHELTON | | X (excused) |
| COUNCILMEMBER, MICHAEL BALDENEGRO | X | |
| COUNCILMEMBER, JOSE GRIJALVA | X | |
| CITY MANAGER, ANA URQUIJO | X | |
| CITY ATTORNEY, DENIS FITZGIBBONS | | X (excused) |
| CITY TREASURER, LUIS PEDROZA | X | |
| CITY CLERK, ALMA ANDRADE | X | |

5. **ROLL CALL:** Chair, Mitch Lindemann
6. **READING OF PROCLAMATION.**
- A. **MENTAL HEALTH AWARENESS MONTH.**

Council Member Acosta read the proclamation.

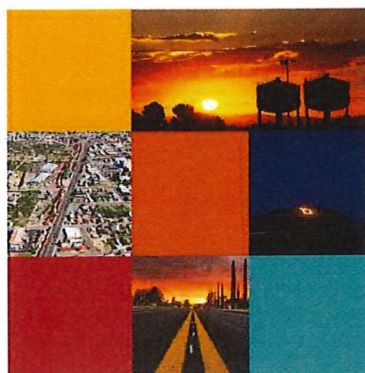
7. **PERSONS WISHING TO ADDRESS THE COUNCIL OR THE FINANCE COMMITTEE IN WRITING OR VERBALLY ON ANY ITEM NOT ON THE AGENDA.**

Ms. Andrade stated there was none.

8. **PRESENTATION/DISCUSSION:**
- A. **BUDGET PRESENTATION for FISCAL YEAR 2023/2024.**

Ms. Urquijo reported submitting a memo with attachments for the fiscal year 23/24 recommended budget that will be reported and presented with a PowerPoint. She acknowledged the team effort made by the budget committee which will help present the items. Luis Pedroza, City Treasurer and Deputy City Manager, Alex Martinez, Finance Director, Joel Camacho, I.T. Manager, and Rocio Garcia Pedroza, HR Manager. Ms. Urquijo stated that the city is in a good and strong financial position, followed by stating the premise for the budget focus this year continues to be the philosophy of remaining sustainable into future years as the city grows, with growth being the key factor of focus this year, looking for efficiencies along the way, which is one of the reasons there is a new system ending different processes and manual processes to streamline, and lastly aligning with mayor and council vision.

Mr. Martinez presented the fund balance.



GG Cash Balance \$21,418,593

| Restricted Cash | |
|---------------------------------|------------------|
| Unspent Capital Lease Proceeds | 65,329 |
| Alex Black Fund | 150,177 |
| Police Restricted Funds | 180,800 |
| Police Vacancy Savings | 238,134 |
| Food City Building Improvements | 500,000 |
| Capital Carryover | 930,432 |
| ARPA Funding | 2,910,114 |
| PSPRS Bond Reserve | 4,070,000 |
| TOTAL RESTRICTED CASH | 9,044,985 |

Fund Balance

| Funding Policy Reserves | |
|----------------------------------|------------------|
| 45-day Operating Reserve | 1,679,576 |
| Capital Reserve | 1,644,498 |
| Debt Reserve | 3,481,160 |
| TOTAL POLICY RESERVE CASH | 6,825,234 |

UNRESTRICTED FUND BALANCE
\$5,548,774



Council Member Lindemann commented that jail tax had been approved and asked how it was going to affect the revenues.

Council Member Acosta commented on the high sales tax and would like to revisit the half cent tax and scale it back.

Council Member Grijalva commented in reference to the ARPA funding that it was made public that Streetscape was at a cost of \$1.2 million and asked if Mr. Martinez could educate the public what the rest of funding is restricted to, and also on the fund balance the money policy reserves how much by law is supposed to be available compared to how much is available now in the surplus.

Mr. Martinez answered he is not aware of by law what we need to keep as far as reserves. These are strictly policies that have enacted financially within the city of Douglas, which closed at \$6.8 million. Mr. Martinez added that as far as ARPA money, yes, that is earmarked exclusively for certain capital projects.

Council Member Acosta asked if there is an expiration date on ARPA funds

Mr. Pedroza answered City of Douglas was awarded over \$4 Million and that fell under the \$10 Million threshold, which allowed more flexibility for the use of funds and declare them as lost revenue allocated that money for certain capital projects.

Council Member Acosta asked what the Alex Black fund is.

Mr. Martinez answered it was a donation that was made to the city for fallen firefighters and it is restricted. Mr. Martinez added Mr. Alex Black donation funds shall only be utilized to take care of any families of fallen firefighters in the line of duty.

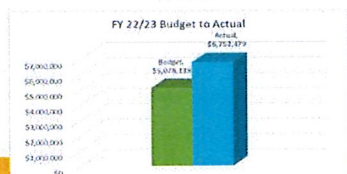
Ms. Boneo asked what special projects are ARPA funding designated for.

Mr. Pedroza answered they are included in the packets on the capital projects designation.

Mr. Martinez continued with the presentation and reported and overview of the FY 23/24 sales tax and continued with the City Funds slide and commented it is how funds are allocated or structured within the city.

FY 23/24 Overview

- Sales Tax is 0.7% or \$1,679,576 Above Budget Projections as of February 2023
- Sales Tax is 0.6% or \$900,000 Above from Last Year's Actual Collections as of February 2023
- Overall General Fund Revenues are 8% above Budget Projections
- Projecting a 2.0 Million Surplus for FY 22/23



City Funds

General Fund

FUNDS:
General Fund, Airport, Golf Course, Housing

FUNCTION:
Public Safety, Public Works, Parks and Rec, Admin, Other.

FUNDING:
Taxes, State Shared Revenue, User Fees, Lic & Permits, Section 8, Inv

Special Revenue Funds

FUNDS:
HURF, Transit, RICO, Capital Projects, Debt

FUNCTION:
Funds designated by law or for specific use

FUNDING:
Gas Tax, Grants, RICO Seizures, Capital & Debt

Enterprise Funds

FUNDS:
Water, Sewer, Sanitation

FUNCTION:
Business type activities that are self-sustaining through operational revenue

FUNDING:
User Revenue

Internal Service Funds

FUNDS:
Self Funded Insurance

FUNCTION:
Use to charge the cost of individual activities to individual funds

FUNDING:
Charges to individual departments

Mr. Martinez continued with the General Fund Revenue slides.

FY 23/24 GF Revenue

State Shared Revenue

- GF \$1.4 Million Increase
- HURF \$50,717 decrease

Local Sales Tax

- 18.75% or \$1.5M Increase

Sale of Real Property

- Rancho La Perilla Apartments Sale Expected to Yield \$1 million in Net Proceeds and land around the Airport sale \$2.096 million

Other Revenue

- Investment Earnings \$400K, an increase over last year of \$365K
- Ambulance revenue increase of \$200K



FY 23/24 GF Revenue - Continued

Grant Reimbursements (New Grants)

- \$46,281,807 budgeted as potential grant revenue
- \$687,000 included as matching funds

Among key requests:

- \$15 million RAISE grant commercial street resurfacing
- \$ 8.9 million from State ARPA for POE
- \$ 6 million+ Congressional Directed Spending - 3 projects

SMART & Safe Tax

- Legalization of Marijuana 16% Sales Tax State Share
- \$130,000 for Police and Fire Training and/or Additional Personnel Costs



Ms. Urquijo commented that the state shared revenue portion although it is a \$1.4 million increase it is assuming that only about half of that is sustainable revenue only because it is known that a reduction is expected in the income tax distribution as part of the governor's tax plan that reduces taxes for zonings and there is a lag for that.

Council Member Lindemann asked if ambulance fees have increased.

Mr. Martinez answered that ambulance fees have not increased.

Mr. Pedroza commented that ambulance fees are reviewed in December/January time period when the Arizona Department of Health Services announces increases in the medical CPI index and that point there is an opportunity to raise fees by that percentage increase.

Council Member Acosta commented that with the legalization of marijuana the city was part of a lottery and was selected. She followed with a question if there is any development or can an update be provided as to why they have not opened that dispensary.

Ms. Urquijo answered 3-4 months ago there was two competing for the same site in the Douglas area.

Mr. Martinez continued with presentation

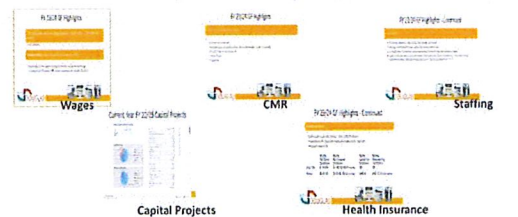
FY 23/24 Major & Notable Changes in O&M

Changes in Expenditures

- HR adding HRIS system (online application submittal, online onboarding for new employees)
- Mayor & Council increasing each member's amount by \$1,000 each
- Court Co-Location Agreement increased costs by \$21,800
- Development Services
 - Business District Improvement account increased from \$25k to \$65k for historical preservation
 - Blight and Demolition account increased from \$25k to \$275k
- Food City Building including \$30K for O&M similar to Call Centre Building
- Increases in most departments/divisions due to inflation impacting fuel, utilities and overall operating material costs



FY 23/24 GF Highlights



Council Member Lindeman asked if the \$500,000 directed for the Food City building maintenance and upgrade.

Mr. Martinez answered that was correct.

Ms. Garcia-Pedroza reported the on the FY23/24 GF Highlights.

Council Member Lindemann commented he would like to see a 2% increase with \$500 one time bonus.

Council Member Acosta commented that minimum wage is not a living wage in almost all circumstances and the theory or the idea of a living minimum wage or a thriving wage, and followed by requesting to research providing a 2% increase to minimum wage employees.

Ms. Garcia-Pedroza answered it is expected minimum wage will increase 3% in January.

Council Member Grijalva asked how many would be affected by the first option, the non-minimum wage employees for the 2% cola.

Ms. Garcia-Pedroza answered there is 220 total employees, 30 of them minimum wage employees. 180 employees that would get that 2% or 1%.

Council Member Grijalva commented he would like to see a \$1,000 one-time bonus with the 2% cola.

Ms. Garcia-Pedroza continued with the presentation.

FY 23/24 GF Highlights

2% COLA for Non-Minimum Wage Employees OR 1% COLA + \$500 ONE TIME BONUS

- GF \$184,000

Minimum Wage Expected to Increase in January 2024

- State looks at CPI in August for the last 12 months to set new minimum wage
- Looking at April CPI at least a 3% increase is expected which translates to \$14.25



FY 23/24 GF Highlights

Three year to Market Salary Model

- \$330,000 Year 2 CMR Plan
- Included revisions to positions close to the minimum wage to prevent compression
- \$118,000 critical market adjustments
- Police Officer
- Dispatcher



Council Member Acosta commented the city has step or plan as far as bases are concerned, and asked if that is by statute or charter.

Ms. Urquijo answered that the plan established by our long time personnel system, merit system, and it is by longevity.

Council Member Acosta commented she feels that performance based is something to look at because there is a misconception of government jobs are cushy, jobs that employees just come to every day and they know they are going to get a pay raise just for being here rather than the efforts. She added maybe it would change the perception of employees as well as promote and encourage people to perform.

Ms. Garcia Pedroza continued to present.

Ms. Urquijo presented on new positions requested.

FY 23/24 GF Highlights - Continued

New Staffing

- 24 Positions Requested, Total of \$1,307,000 (includes other funds)
- 14 being recommended for approval \$814,000 (includes other funds)
- 12 Limited Status (LS) Positions 2 permanent positions that were unfunded in previous budgets
- Positions will cover areas in code enforcement, blight abatement, facilities maintenance, utility related capital improvement projects, police accreditation, golf course, and an accountant from PT to FT.



Current Year FY 22/23 Capital Projects

Capital Improvement Program

Amount: \$1,000,000

Amount: \$1,000,000

Amount: \$1,000,000

Amount: \$1,000,000

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Amount: \$1,000,000

Mr. Camacho presented Capital Projects.

Council Member Acosta asked if there is a way to share the tool or is it already being shared on the city website, so that people could see what the budget is for capital improvements.

Ms. Urquijo answered it could be an active link and placed on the website.

FY 23/24 Enterprise Funds Highlights Water - Continued

Fund Balance Recommendations (continued)

- SCADA (Expected Grant Match) \$250,000
- 16" Geronimo Trail Trans. Line \$200,000
- Dump Truck \$90,000
- 3 Elevated Storage Tanks Inspection \$35,000
- Automatic Flush System \$50,000
- Retile and Replace Countertops at Utility Billing \$5,000
- Mini Excavator \$20,410



FY 23/24 Enterprise Funds Highlights Water - Continued

Port of Entry Related Grants

- \$1.5M out of \$8.9M from State ARPA funds for water/sewer design
- \$2.175M Congressional Directed Spending (CDS) for new water well

Other Grant Requests

- \$488,435 from USDA for Well 14 rehabilitation (carryover)
- \$588,804 forgivable principal grant from WIFA for Well 18
- \$850,000 CDS award for new water SCADA system

CIP Crew

- 4 new CIP with 3 existing for total of 7 personnel for water/sewer CIP Projects



Council Member Lindemann asked if the crew of CIP on water and sewer are going to be separated.

Mr. Pedroza answered this will be a combined crew and will be funded by both funds working on both water and sewer projects.

Council Member Baldenegro asked if there is a need for two dump trucks one for water and one for sewer, and last year sewer bought a backhoe and now showing another backhoe here for another purpose.

Mr. Pedroza answered the water field is requesting a dump truck for their maintenance and the construction crew is requesting a dump truck as well for their CIP projects. He added he did not recall the backhoe was for sewer, a backhoe for water and a backhoe for construction crew facilities maintenance was purchased last year.

Council Member Baldenegro asked about a AC unit the sewer needs, and it is not on the budget.

Mr. Pedroza answered he will look into it.

Council Member Grijalva asked in reference to replacing the 96, 300 gallon cans; will they be dropped off in the property in addition to the old can or are they replaced for the old trash cans.

Mr. Pedroza answered cans are replacing those as needed. If it is normal wear and tear they are replaced. If it is damage caused by the user those get charged back to the user.

Council Member Grijalva would like to look into the cost of replacing all the cans.

Council Member Acosta suggested exploring the recycle processes in Mexico.

Council Member Grijalva asked the cost for an additional trash truck.

Mr. Pedroza answered there is two back up trucks and a new purchase would be \$300,000.

FY 23/24 Enterprise Funds Highlights Sewer

Revenue

- Projecting 7% Increase due to rate Adj, impact fees & inv earnings

Capital

- Backhoe \$166,000
- Tool Trailer - \$6,000
- Replace AC Unit in Lab - \$15,000
- WWTP O&M - \$34,500
- Dump Truck - \$80,000
- Flatbed Trailer - \$7,000
- SCADA System DOC - \$30,000

Grants

- \$1.5M of \$8.9M from State ARPA for water/sewer design

CIP Crew

- 4 new CIP with 3 existing for total of 7 personnel for water/sewer CIP Projects



FY 23/24 Enterprise Funds Highlights Sanitation

Capital

- 96 & 300 Gallon Cans \$25,000
- Metal Building to Cover Wash Pad \$35,000
- Chipper Station \$40,000

Other Initiatives

- Increase in Tipping Fees due to ADEQ requirements to dump sweeper waste in Whetstone landfill
- Salary savings by Moving Code Enforcement Officer back to GF
- Explore recycle/reuse Programs



Mr. Pedroza reported the special revenue fund highlights.

Council Member Lindemann asked if striping of streets would be completed.

Mr. Pedroza answered yes, striping work will be done by the county.

Council Member Grijalva asked how many crews or employees are available for chip seal work.

Mr. Pedroza answered there is currently 11 positions for HERF, with 4 vacancies.

Council Member Baldenegro asked if there will be any new sidewalks in the downtown area due to sidewalks needing improvement.

Mr. Pedroza answered there is \$90,000 that are not designated for any specific area.

FY 23/24 Special Revenue Funds Highlights



FY 23/24 Special Revenue Funds Highlights HURF

| Capital | |
|--------------------------------------|-----------|
| • Streets Program | \$226,123 |
| • Additional Streets Program | \$700,000 |
| • Post Sign Driver | \$20,000 |
| • Traffic Control Cones & Barricades | \$40,000 |
| • Utility Sign Service | \$35,000 |

TOTAL CAPITAL: \$1,021,143



FY 23/24 Special Revenue Funds Highlights

Other Initiatives

- Batch Plant \$2M with \$500,000 down payment loan for 10 years
- Street Light Replacements \$20,000
- Construction Materials for sidewalks, curbing & ROW improvements \$90,000

Current FY Street Improvements

- 3.3 miles of double chip seal completed for \$379,920
- 3,880 linear feet of curb and gutter
- 10,330 linear feet of sidewalks
- 9 ADA Ramps



FY 23/24 Special Revenue Funds Highlights Golf Course

Revenue

- Budget \$180,000 Subsidy
- Sale of La Perilla Apartments Possible \$1M Capital Cash Infusion

Operations

- New Golf Superintendent \$85,000
- Evaluating Concessionaire Agreement recommend improvements



Mr. Pedroza continued with presentation.

Council Member Grijalva inquired about receiving quarterly updates for the golf course from the MPC, and asked what is a Golf Superintendent, how would that be different from one of our employees and what would be their expertise.

Ms. Urquijo answered the position of Golf Superintendent is salaried position with benefits. She added when a site audit by Troon was completed this current fiscal year, it was realized the technical expertise required to optimally run a golf course, especially the greens and expertise even in our current staff within parks does not have that specialty. Additionally, the attempt was made to contract that portion out to Troon, which does that with Benson and other golf courses here in the region, but the revenue base is not enough for them to be interested in carrying it.

Council Member Grijalva commented since the apartments possible sale for \$1 million, he requested a breakdown on the cost to replace the greens and also the remodel of the golf course buildings because modernizing them could be a funding source also.

Ms. Urquijo commented that it is the estimated time to refresh the buildings and the MPC board also is brainstorming on that.

Council Member Acosta asked if revenue from the golf course is not enough to lease to an outside company.

Ms. Urquijo answered that Troon is looking at least \$1 million in revenues and the golf course budget is \$376,000 with a \$180,000 subsidy.

Council Member Lindemann commented on the idea of piping the fluid out to the golf course and parks to save groundwater and also wanted to put forth he would like to see in a tee box commemoration for Ivan Huish or Nick Forsythe.

Mr. Pedroza continued with presentation.

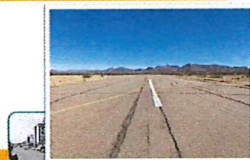
FY 23/24 Special Revenue Funds Highlights Airport

Revenue

- Sale of Land around the Airport \$2,096,000
- Proceeds to go back to Airport Improvements

Capital

- Runway Rehabilitation \$2.1M
- \$100,000 for Revised Airport Layout Plan (ALP)
- \$300,000 for perimeter fencing improvements



FY 23/24 Special Revenue Funds Highlights Airport

Grants

- \$400,000 ADOT Grant for Perimeter Fencing (Ph III) and revised ALP
- \$1.5M ADOT Grant for runway rehabilitation
- Applied for Saving America's Treasures Restoration Grant for \$750,000

Initiatives

- NPIAS Designation Application Submitted
- Continue to negotiate sale of land around the Airport –
- Buyer to provide \$500k towards runway rehab project and 7% of net revenue from parcels sold



Council Member Grijalva asked with all these grants and how much is available, the rehabilitation of the runway is \$2 million and the complete runway was \$4 million, how much is projected that will be acquired through grants?

Mr. Pedroza answered that the grant is a rehabilitation grant. The \$4 million has gone up and is close to 7 million now to reconstruct the runway, he added reconstructing the runway means getting down to surface and redo everything from grade and build it up, and this rehabilitation grant includes a three inch mill and overlay basically a maintenance job.

Council Member Grijalva asked about the improvement to the infrastructure them due to their poor condition.

Mr. Pedroza answered that electrical and outfitting hangars with better infrastructure is in the capital improvement plan.

Mr. Pedroza continued with presentation.

FY 23/24 Special Revenue Funds Highlights Transit

Grants

- Beginning Year 2 of Grant for Operations and Admin \$1,090,000
- Awarded 5339 Grant for new bus \$252,480
- Applying for Freeport & Legacy Grants for Cochise Connection and App Enhancement

Initiatives

- Increasing ridership fares revenue from \$35K to \$55K. Ridership getting close to pre-pandemic levels.
- Continue to Market and Sell App to Other Transit Providers
- Renegotiated Cochise College Contract from \$25K to \$26K



FY 23/24 Outside Funding Requests

| Organization | Amount Requested | Purpose |
|---|------------------|--|
| Douglas Oral History Project | \$ 1,000 | Contract one person to digitize and video graph oral histories |
| Pirtleville Community Action Network / Wall of Faces Veterans Commemoration Project | \$ 3,000 | Computer, computer cabinet, mannequins for uniform displays |
| Douglas China Poblana | \$ 4,000 | Portable restrooms, jumping castles, child painting, lighting and in kind staffing for the 2 day event |
| DARC/Douglas Senior Citizens | \$ 1,800 | Arts & crafts supplies, bingo prizes |
| Douglas ARC | \$13,000 | Fuel and utilities for meals on wheels program |
| Making Connections 4U | \$ 5,000 | Back to school supplies for community members in need. |
| TOTAL | \$27,800 | |

Ms. Urquijo presented the FY23/24 Outside Funding Request.

Council Member Grijalva commented the fear of setting a precedent and the thought of another group coming in and requesting the same.

Ms. Boneo asked how an organization that wants to create a community event know about these funding request.

Ms. Urquijo answered it has been a process that goes back for many years and it is not necessarily marketed. It started as requests coming in from DARC. Additionally, a program was developed last year to have a consistent process and guidelines to provide metrics and successes from those programs for future considerations.

Mr. Pedroza added according to the to the program policy, the goal is to fund programs offered by community organizations and institutional interests that benefit the residents of Douglas. And the goal is accomplished by providing funding for health, human and or quality of life services for the residents of Douglas.

Ms. Watson asked if materials that are being purchased to make improvements to the building are being purchased in Douglas.

Mr. Pedroza answered that Douglas Electrical and Byrd's Construction have been

Ms. Urquijo presented the calendar for recommendations and final budget adoption.

Mayor Huish thanked the Finance Committee for taking the time out of their busy schedules to attend.

Pending

- Liability Insurance (included an estimated 5% increase)
- Final State Shared Revenue Numbers

Next Steps

- May 24, 2023 Distribution of budget sheets (Print or Electronic)
- June 5, 2023 Finance Committee Meeting & Recommendation
- June 7, 2023 Mayor & Council Work Session – 2nd Review
- June 14, 2023 Tentative Budget Adoption
- July 12, 2023 Final Budget Adoption



9. **ADJOURNMENT:** Mayor, Donald C. Huish

Motion by Council Member Grijalva, second by Council Member Acosta to adjourn the meeting at 7:26 p.m.

10. **ADJOURNMENT:** Chair, Mitch Lindemann

Prepared by:


Cynthia Acuña Robles, Deputy City Clerk