


To: Honorable Mayor Grijalva and Council Members  
Finance Committee Members

From: Ana Urquijo, ICMA-CM   
City Manager

Date: May 29, 2026

Subject: FY 26-27 Recommended Budget

I respectfully submit the City Manager’s recommended FY 26-27 Operating and Capital Budget. A balanced budget of \$107,895,609 for all funds is presented in this memorandum and will be outlined for you through a PowerPoint presentation on June 2, 2026.

The FY 2026–2027 budget continues to be grounded by the principles of Sustainability, Efficiency, and Strategic Alignment, emphasizing responsible fiscal management while guiding targeted investments that support the City’s long-term vision. The City Manager’s work plan remains driven by the Mayor and Council’s policy priorities under Douglas Vision 2032, including infrastructure, downtown revitalization, managed growth and annexations, economic development, community amenities, tourism and special events, and transportation and roadway improvements.

This memorandum will outline the following: Fund Balance Overview; FY 25-26 Overview; FY 26-27 General Fund (GF) Summary & Highlights, GF Highlight Details, FY 26-27 Other Funds Summaries & Highlights, and Other Highlights.

**Fund Balance Overview**

The City of Douglas, as of May 8, has a cash balance of \$18,391,781 marking a decrease of \$1,956,128 from the previous year. Within this total, several funds are restricted, including the following:

<b>General Government cash balance</b>	<b>\$18,391,781</b>
<u>Restricted:</u>	
Alex Black Fund	\$ 173,035
Capital projects from fund balance	\$ 2,514,281

PSPRS Bond Reserve	\$ 3,459,219
Police Savings for Trainees	\$ 102,396
Court Fines Officer Safety Equip. fund	\$ 25,361
Police forfeiture funds	\$ 121,816
Golf Improvements (RLP Apts sale)	\$ 104,716
Pending Grant matches FY 24/25	\$ 1,035,741
Pending transfers	\$ 205,256
45-day operating reserve	\$ 2,376,843
Emergency capital reserve	\$ 2,181,150
Debt reserve	\$ 3,261,097
<b>Total restricted</b>	<b><u>\$15,855,910</u></b>

Consequently, the unrestricted fund balance amounts to \$2,535,871. From there, 649,315 remain restricted for Strategic Investments, leaving an unrestricted fund balance after Strategic Investments of \$1,886,556. The City Manager has established a policy to maintain a minimum fund balance of \$1.5 million. Any amount exceeding this floor is available for capital investments. In this case, that leaves **\$386,556** available to be spent on capital projects. Also, additional one-time funds have been forecasted and are later explained in the capital section of this memo.

**FY 25-26 Overview**

The current fiscal year budget is projected to conclude with a surplus. As has been reported to you by the Finance Director/City Treasurer, through the first nine months of the fiscal year, year-to-date sales tax revenue is 3.1% higher than the same period last year and budget projections are ahead by 4%. This marks the sixth consecutive month of growth in sales tax revenue compared to the prior year and all indicators remain positive. Based on the current pace, we are on track to finish the fiscal year at approximately \$11.4 million, exceeding the fiscal year’s \$11 million budget.

In Fiscal Year 2026, the city issued 208 single-family and 43 commercial building permits. This is an increase from 16 single-family and one commercial permit from FY 25. Additionally, 85 business licenses were granted, primarily to out-of-town contractors, indicating new investments in the community. Cross-border activity continues to support local retail and commercial activity, reinforcing Douglas’ role as a critical gateway for regional economic activity and trade.

The almost \$700 million Two-Port Solution initiative continues to advance through ongoing coordination among local, state, federal, and international partners. Significant progress has been made on infrastructure planning and funding efforts associated with the future Commercial Port of Entry and related economic development opportunities. The funding gap for the connector road project has now been successfully closed, and the project is fully funded at approximately \$50 million, and the road construction will be managed by ADOT. The remaining major infrastructure challenge continues to be approximately \$30 million needed for the completion of the utility corridor and westward infrastructure expansion. The City and its partners are actively pursuing multiple state and federal funding opportunities and grant requests to continue closing this remaining gap and support long-term regional growth associated with the project.

### **FY 26-27 General Fund (GF) Summary and Highlights**

The proposed balanced General Fund budget for the upcoming fiscal year is \$18,611,497, representing a 1.4% increase from the prior year after transfers to the Airport, Golf Course, Transit, Capital Projects, and Debt Service funds. Including transfers, the total balanced General Fund budget is \$22,965,767, a 2% increase from the previous year, driven by inflation, staffing-related cost increases, and higher subsidies for the Golf Course and Transit operations. The balanced budget includes a 3% COLA for employees along with a \$750 one-time distribution to be issued during the Thanksgiving Holiday. The operating budget is very close to last fiscal year's budgeted levels with increases primarily in fuel costs. A summary of other increases are detailed in the GF Expenditure section. Market rate recommendations for salary adjustments are planned to initiate once again in FY28 and will prioritize classifications with high turnover and are lagging market rates. This budget contains market adjustments for Transit Drivers, due to severely lagging salary level compared to local market competition and the need for retention.

#### *FY 26-27 GF Revenues*

While projections for all revenue sources remain conservative, the following highlights some of the key revenue sources to note for the upcoming fiscal year.

- Investment Earnings –
  - This year we face a more challenging financial position with investment earnings decreasing from \$600,000 to an estimated \$400,000. The reduction is primarily driven by declining interest rates and continued market volatility. In addition, as we draw down our unrestricted fund balance to fund capital projects, the lower available capital will further reduce the amount available to generate investment returns.
- Ambulance Rates -
  - We are projecting ambulance fee revenue of \$950,000 this year, representing an estimated reduction of \$200,000. This decrease is driven

by shifts in the types of calls we are responding to and a resulting decline in billable calls. Staff is currently reviewing staffing models to make appropriate adjustments.

- State Taxes (Voter Approved) - General Fund State Shared Revenue comprises three revenue sources; voter-approved sales tax, voter-approved income tax, and vehicle license tax. Final distribution notice of these revenues will not be received until after tentative budget adoption. Projected figures include the following:
  - Voter-approved sales tax:
    - \$2,377,951

This is a decrease of \$2,410 from last year. This figure is driven by estimated population growth or decrease.
  - Voter-approved income tax:
    - \$3,329,518

This is an increase of \$246,129 and is part of the governor's tax plan that reduced taxes for Arizonans.
  - Vehicle License Tax
    - \$1,073,978

This is an increase from last year of \$34,001.

This revenue source fluctuates but is stable for our size community at about \$1 million.
- Local Sales Tax – This tax revenue is the largest revenue source for the General Fund. The projection is always made conservatively to avoid operational disruptions during the year.
  - \$11,500,000

We are increasing our sales tax revenue projection from \$11.0 million to \$11.5 million. This upward adjustment is based on stronger recent collection trends and the continued strength and sustainability of our local retail tax base. This is inclusive of projections made on new construction sales tax for anticipated projects that are underway.
- Leases – The City has 11 lease agreements totaling an annual amount of \$94,118, with one additional agreement currently under consideration related to the contractors constructing the new commercial POE
- Animal Shelter County IGA – We are in the process of negotiating a higher amount with the County due to increased personnel and operating expenses. We are

estimating the new amount for the coming fiscal year at \$121,826 in the budget and awaiting final approval from the County.

### *FY 26-27 GF Expenditures*

Overall General Fund expenditures show an increase of 2%, primarily driven by inflation, COLA adjustments, minimum wage increases, and Transit-related costs. Most departments experienced an average expenditure increase of 1.83%. The Transit subsidy increased to \$217,070 from \$181,075 in FY2026, while the Golf subsidy increased to \$328,770 from \$278,076 in FY2026. Departments with higher structural operating costs for the upcoming fiscal year are Finance, due to a new AP software that is programmed to assist with continued efficiencies; Police Administration with an increase in contractual services for increases in 911 system due to changes at the state level; City Clerk's Office for election related expenses; Development Services with an increase in contractual services for Cochise County building inspection support; Aquatics due to higher maintenance of two pools/facilities; and Recreation, due to an increase in programming and special events.

### *Salaries & Wages*

This budget recommendation includes a 3% cost of living adjustment for non-minimum wage positions, with an annual cost of \$306,000 to the General Fund. The last cost of living adjustment was provided to employees in July 2024, and it was 1%. Since then, the minimum wage has been increasing every year. In January 2025, minimum wage went up from \$14.35 to \$14.70 (2.44% increase). In January 2026, it went from \$14.70 to \$15.15 (3.06% increase). Based on the up-to-date Consumer Price Index information, which is what is used to set the minimum wage increases in Arizona, minimum wage will increase once again at the very least 2.6% this coming January.

This budget addresses only classifications in Transit with high turnover that are also lagging local market rates. The estimated cost per year to the General Fund to increase one range to the Transit Driver classification is \$16,400. Combined with this is the 5% wage differential being recommended for Transit Drivers working in Bisbee and living in Douglas. No other market increases are recommended at this time due to uncertainty in sustainable revenue projections. It would not be feasible or prudent to fund market salaries from any other funding source, as salaries must evolve and sustain into the future. We are hopeful to begin full market adjustment attempts in FY28.

This budget also includes \$51,000 to cover the upcoming new minimum wage increase expected in January 2027 and increased programming hours for Recreation and Aquatic events.

### *Personnel Impacts*

There were requests by different divisions to make certain limited status positions permanent or to add/fund other positions. For this year, we are not making those

recommendations. These will be evaluated though in next fiscal year's budget once we have a better history of revenue to determine its sustainability.

In an effort to modify support functions being shared between Development Services and Public Works, the following changes were made. The PW Environmental Specialist position was unfunded along with reducing the limited status Annexation Assistant position to half time and removing the 10 hrs. per week Building Specialist funding; these positions were already functioning as such. The savings from these changes are being applied in having a dedicated limited status Administrative Assistant in Public Works to allow the Administrative/Permit Technician to remain in Development Services.

**Benefits**

The performance of the self-insurance fund remains strong and allows rates to remain flat for the new fiscal year. Employee only coverage continues to be covered in full for the basic plan.

<b>Monthly City Current Contribution</b>	<b>Monthly City Proposed Contribution</b>
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<b>Monthly Current Employee Contribution</b>	<b>Monthly Proposed Employee Contribution</b>
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**\$2,000 deductible plan (Plan A)**

Emp Only	\$650.00	\$650.00
Employee & Children	\$1,050.00	\$1,050.00
Employee & Spouse	\$1,050.00	\$1,050.00
Family	\$1,050.00	\$1,050.00

\$0	\$0
\$405.00	\$405.00
\$435.00	\$435.00
\$485.00	\$485.00

**\$500 deductible plan (Plan B)**

Emp Only	\$650.00	\$650.00
Employee & Children	\$1,050.00	\$1,050.00
Employee & Spouse	\$1,050.00	\$1,050.00
Family	\$1,050.00	\$1,050.00

\$100.00	\$100.00
\$670.00	\$670.00
\$700.00	\$700.00
\$750.00	\$750.00

**\$2,000 deductible / 20% co-insurance Plan – HDHP & HSA (Plan C)**

Emp Only	\$650.00 (\$557.58 for premium \$92.42 for HSA)	\$650.00 (\$557.58 for premium \$92.42 for HSA)
Employee & Children	\$1050.00 (\$864.60 for premium \$185.40 for HSA)	\$1050.00 (\$864.60 for premium \$185.40 for HSA)
Employee & Spouse	\$1050.00 (\$864.60 for premium \$185.40 for HSA)	\$1050.00 (\$864.60 for premium \$185.40 for HSA)

\$0	\$0
\$325.00	\$325.00
\$355.00	\$355.00

Family	\$1050.00 (\$859.60 for premium \$185.40 for HSA)	\$1050.00 (\$859.60 for premium \$185.40 for HSA)	\$425.00	\$425.00
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### One-Time Allocation during the week of Thanksgiving

This budget once again includes funding for a one-time-in-fiscal-year distribution for employees, prorated based on # of hours worked and length of service and issued in November. This year we were only able to fund a \$750 distribution, after initially attempting to fund \$1,000. This cost represents a fiscal impact of \$160,000 in the General Fund for the one-time allocation.

### Other Expense Changes

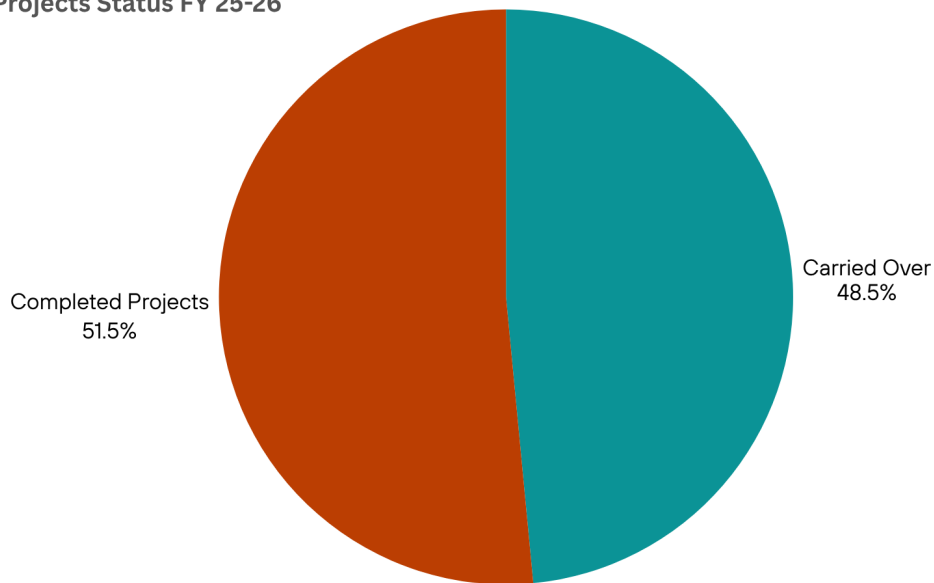
Continued funding for state lobbyist, federal lobbyists, port of entry consultant and sports tourism consultant contracts as a General Fund transfer to Capital.

### Capital Recommendations

The graph below illustrates the current status of our capital program. Of the 37 active projects, 51.5% are projected to finish by fiscal year-end. The remaining 48.5% are recommended for formal deferral to the next fiscal year.

A full table of FY 25-26 Capital Projects may be seen as **Attachment 1A**

CIP Projects Status FY 25-26



**Attachment 1B** outlines the General Government's capital recommendations for the upcoming fiscal year. Available capital revenue total is \$2.352 million, broken down as

follows: \$654,424 in freed-up grant matching funds, \$104,000 from golf course carryover, \$386,000 after the \$1.5 million floor, \$1.208 million from revenue generated by the Raul Castro Port of Entry Renovation Project. A new grant match of \$120,500 for this fiscal year reduces the available capital revenue, bringing the adjusted total to \$2.231 million.

Accordingly, it is recommended that \$2.231 million in new capital expenditure be allocated for the following categories: equipment, facilities, infrastructure, planning, vehicles, and miscellaneous items, as detailed in Attachment 1A.

The General Government capital funding consists of carryover amounts, fund balance allocations, and lease proceeds.

### ***FY 26-27 Other Fund Summaries and Highlights***

#### ***Water Fund***

Water funds are directed for potable water distribution within the community, the establishment and maintenance of wells, water main infrastructure construction and repair, and water treatment and monitoring of water quality. The Water fund will use \$867,160 of its total \$1.4M fund balance in this budget recommendation and some of the highlights are as follows:

- Water Utility Revenue – The 5 Year rate increases are fully implemented and as a result a 5% increase in operating revenue is projected which was counterbalanced by an expected decrease in investment earnings.
- Water Utility Expenditures – The use of fund balance noted above will be necessary to address delayed capital improvement projects. Staff has outlined in the next section the use of fund balance as well as grant opportunities, of which some applications are already underway.

The Water fund will finish several key projects including the new SCADA system this summer and construction of new Well 18, expected to be online August 2026. The water and sewer extensions towards the west and new Well #20 for the new commercial POE are underway. The City has several grants secured to finish this work and others in the works that entail extending water service from City limits to Cochise Community College.

Fund Balance use for the Water fund is recommended as follows:

Reservoir Roof	\$400,000
POE Well (Grant Match)	\$281,651
Mi Nodes and Hangars	\$37,000
16" Geronimo Trail Transmission Line (Grant Match)	\$79,509

Remote Disconnect Meters (200)	\$58,500
Valve Replacement	\$7,000
Utility Locator	\$3,500
Large Valve and Hydrant Battery Operator	\$7,000

- Water Grants
  - Port of Entry Related Grants:
    - We expect major work through grants for West Extension POE related grants including State and County ARPA funds, Army Corps 595, NADBank BEIF Funds, WIFA and also seeking a State appropriation and Congressional Directed Spending requests totaling \$20.7M of estimated work for the new Fiscal Year 26/27.
    - \$1.6M WIFA Grant to complete Well 18 Project.
    - \$300,000 from EPA to complete the SCADA Project.
    - \$318,036 from WIFA to finish the Reservoir Roof and Geronimo Trail Water Line Extension Design Project.
- CIP (Capital Improvement Projects) Crew
  - The Water division along with the Sewer division will continue funding the construction (CIP crew). Due to funding shortage, the Water fund will provide 40% of funding while Sewer 60% and as such dedicating projects for the sewer division at that percentage. The division has already done 1 sewer extension with 3 more currently in the planning/design phase. The sewer/water extensions agreements also ensure the parcels agree to future annexation.

### *Sewer Fund*

Sewer funds are directed for wastewater collection, treatment, and sewer main infrastructure construction and repair. The Sewer fund will use \$500,000 of its \$3M fund balance for the 20<sup>th</sup>/23<sup>rd</sup> Street Sewer projects in this budget recommendation and some of the highlights are as follows:

- Sewer Utility Revenue – The sewer utility is projected to have a 9.7% increase or \$118,867 due to the 5-year programmed increases in effect as well as projected investment earnings increase related to strong sewer cash balance reserve. The Sewer budget also includes the use of \$12.1 million in grants from State ARPA and State Appropriation to go towards construction of the POE service area. The preliminary engineering report for the Effluent 30% Design, funded by WIFA with

a remainder of \$45,886 will be finished and we have pending approval by NADBank \$360,000 for WWTP flood wall final design. Sewer is allocating \$150,000 for the ROW acquisition at Commerce/Kings Highway POE sewer alignment. Other small projects include SCADA for \$115,000, oxditch mixer for \$70,000, trash pump for \$35,000 and \$3,500 for a utility locator, cost to be shared between water and sewer.

- This year the CIP crews will assist with annexation related sewer extensions and possibly assist with private in City or out of City extensions through the use of the recently adopted policy agreements to extend utilities where customers pay for labor and materials for small water and sewer extensions within our service area. It may also assist with 9<sup>th</sup> Street Sewer in partnership with private development.

### *Sanitation Fund*

Sanitation funds are directed for the use of refuse collection services in the community. Sanitation will use \$20,595 of its fund balance in this budget recommendation and some of the highlights are as follows:

A rate study for Sanitation will be carried over into the new fiscal year to review rates that have not been updated since 2011. Tipping fees will increase from \$64 per ton to \$68 per ton next fiscal year, an action already approved by the Cochise County Rate Review Board. The City is processing more tonnage from commercial accounts and has added homes on the recently annexed areas of 20<sup>th</sup> and 23<sup>rd</sup> Street, thus increasing transfer station costs. Most commercial accounts are producing more waste, while the existing fee structure may not be adequate to cover costs. This year, the fund will be using \$20,595 from its reserves to cover capital expenditures. The City set up its recycling yard next to the transfer station ready for brush/branch chipping events. The fund has also projected a prospective plastic pelletization operation that will establish a future program to support an interested plastics manufacturing business from Mexico. Staff will continue to pursue these events for the public and will also seek grant funds for pelletization equipment. The recycled plastic is expected to be sold for manufacturing housewares and athletic wear.

### *HURF Fund*

Highway User Revenue Funds (HURF) are directed for the use of streets, street lighting, signage, traffic lights, sidewalks, curbing, and drainage within the community. The HURF fund is balanced, however, using \$1,148,916 from its fund balance for streets, capital and matching for the Safe Streets For All Study (SS4A). The availability of fund balance is as a result from the transfer from the General Fund in the last budget for added street improvements. Recommendations and some of the highlights are as follows:

HURF revenue sharing decreased by 1% (previous year increased 6%) this year with a projected revenue of \$1,664,477, previously \$1,679,688 in FY2026 and \$1,726,199 in FY2025.

The new Asphalt Plant Project is nearly complete. The plant is in the process of getting assembled with power and gas upgrades also underway. The plant should be operational by July/August of this year. The plant will provide for inhouse work, selling to major City projects such as the RAISE project and selling to contractors for private development and possibly to other cities and the County. The Safe Streets for All (SS4A) study has kicked off and will be completed in a year. The study will allow public input and provide recommendations for improvements to our streets, sidewalks and rights-of-way by implementing safer and more accessible modes of transportation. The study is funded by the Department of Transportation with a 20% or \$91,983 match coming from HURF. A trailer to haul equipment as opposed to driving it through town, is also included for \$75,000 and a dump truck for \$300,000 to haul material. Overall, \$734,969 of street work this year is recommended plus \$70,000 for solar LED Lights and \$90,000 for construction materials that can go towards sidewalks, repairs and other maintenance.

### *Golf Course*

The back 9 improvements were completed this fiscal year and the grow-in of new grass is progressing nicely. The back 9 will open this summer and will provide the golf course more play and more revenue. Part of the design process for the back 9 included a rehabilitation design for the front 9. The front 9 contains much older infrastructure and issues of constant line breaks, leaks, and manual processes for watering. The new design is at 90% and includes a new lake to serve as the front 9 reservoir as well as adding to the aesthetics and play value to the course. The costs for this rehab is projected at \$1.3M and included as a recommendation to utilize \$1M from fund balance floor to complete in FY27. The golf course is also looking to expand food service for next year, thus including a commercial stove replacement, ceiling tile replacement, and new tables and chairs for the bar area for a total request of \$25,000. A pole barn to house golf equipment and repaving of the RV Park are also noted and included in funded capital at \$120,000. The budget also contains a recommendation to fund the lease of a new rough mower.

There is an increase in projected revenue of 29% or \$115,835 due to increase in play and events as well as further increase in play from the availability of the back 9. We also have an increase from \$212,400 to \$302,400 for the cost of the MPC management contract that pays for laborers and bar staff. The increase was attributed to the hiring of 2.5 laborers and the minimum wage increase. The MPC has been encouraged to review fees and project out possible increases to help support the higher subsidy/transfer from the General Fund. This will be an ongoing assessment to optimize revenue where possible as new investment to the golf grounds are completed. The subsidy from the General Fund to Golf Course increased from \$278,076 to \$328,770. The leftover funding from La

Perilla Apartments Sale will be carried over to the new fiscal year and incorporated to absorb some of the capital mentioned above.

### *Airport*

The development around the Airport is still under consideration. Negotiations continue with the buyer on the development of the 1<sup>st</sup> parcel in the 3-phase parcel purchase. The developer brought on board an investor with experience in similar developments. We continue to guide them with the rezone process and a development agreement to establish the assurances and deliverables of the project. This summer the City will award the Phase III perimeter fencing contract utilizing the ADOT Aeronautics grant with a remaining balance of \$280,000. If the sale of the land around the Airport goes through, ADOT will kick in an additional \$97,000 towards this project.

The Save America's Treasures Grant is underway with the National Park Service approving the scope of work that includes the rehabilitation of the large hangar, preservation of the main apron, hangar apron, taxiways and the runway. The grant funds \$750,000 with a 1:1 match. ADOT awarded the City \$375,000 to pay for half of the City's required match, thereby lowering the City's match from \$750,000 to \$375,000. The match was accounted for this fiscal year and will be carried over to the new year. Another grant is expected to be awarded for the mill and overlay of the taxiways and turnarounds in FY 26/27 in the amount of \$1.7M with a 10% match of \$170,000. ADOT will do the design at their expense in the coming year, and work is expected to commence late in the fiscal year or early Fiscal Year 27/28.

### *Grants*

We are seeking our standard annual grants and various new grant opportunities offered through federal, state, and local spending programs. We are including already awarded grants such as the RAISE grant with a partial amount of \$5.9M (out of \$23.5M awarded) since we expect this project to take a year to design and construction to follow in FY27/28. Other major grants are for the West Extension Utilities Project for the new POE already mentioned in the enterprise funds section. The grants fund amount is projected as potential acquisition and spend for the fiscal year. We are budgeting \$78M throughout all funds, including \$1.8M in match for these opportunities, even though some are in progress and no formal decision has been made. We project that total potential awards can be up to \$101,566,863. A complete Grant Schedule is attached (**Attachment 2**).

### *Transit*

Funding from the Federal Transit Administration (FTA) through ADOT is granted over a two-year cycle following the federal fiscal year that starts October 1. We will enter a new two-year federal transit cycle at the beginning of October 2026 and have received a preliminary award notification.

Transit ridership increased by 3% or 1,586 riders this year from 59,040 to 60,626 riders through April 2026. This is vastly due to an increase in Cochise College ridership and an increase in the use of the Cochise Connection that also includes stops at the Douglas and Sierra Vista campuses. This budget contains a subsidy from the General Fund of \$217,070. This is due to overall State 5311 Program continued funding struggles that receive same level funding without incorporating cost increases and considering new 5311 programs joining and competing for funding. There is also an effort by SEAGO and all Cochise County 5311 systems to petition the County for funding since most 5311 systems service the unincorporated areas of Cochise County, including Douglas Rides and Cochise Connection routes. Transit requested a planning grant to assist with an updated plan for more efficient routes as well as expected growth to the west of the City because of the new commercial port of entry. We have received preliminary award for \$90,000 that would fund a consultant to conduct a transit wide study that could help transit's future sustainability. The FTA has also approved the City's Transit Facility Site Selection Study that recommended the construction of bus facilities at the existing Public Works Barn. We are moving forward with environmental and design through a previously awarded 5339 grant. Bisbee Bus has put a bid out for operations contract that the Douglas has been running for the past 10 years. The City will submit a bid, due in June in order to continue providing transit services to Bisbee and help offset the matching amount to the Douglas Rides Program.

Transit will continue to seek annual grant funds from Legacy Foundation and Freeport McMorran to enhance the Cochise Connection funding and seek other funding opportunities through private and/or government organizations.

**Other Highlights**

*Community Requests*

The following community funding requests were received for consideration in the FY 2026-27 budget. This budget includes a recommended allocation of \$43,800 including \$1,000 for mid-year requests. Any requests received during the fiscal year beyond this allocation will be considered by Mayor and Council on a case-by-case basis, with funding source to be determined at that time.

<b>Organization</b>	<b>Amount Requested</b>	<b>Amount Recommended</b>	<b>Purpose</b>
University South Foundation	\$2,000	\$2,000	Scholarships
Apacheria Gravel Race	\$12,500	\$5,000	New signature bike race

DARC/Douglas Senior Citizens	\$1,800	\$1,800	Art & craft supplies, bingo prizes
Rotary Club	\$2,000	\$2,000	Fly –In Event
Douglas ARC	\$15,000	\$15,000	Fuel and utilities for meals on wheels program
Making Connections 4U	\$5,000	\$2,000	Back to School Drive
Bambi Fund	\$10,000	\$2,000	Programming Hustlers Root
Border Art Corridor	\$15,000	\$2,000	Fellowship, Artwalk, Programs
Arizona Border Alliance	\$5,000	\$2,000	Equipment/programming
Arizona @ Work	\$5,000	Withdrawn	Venue rental for event
Earn Your Spurs	\$17,699	\$2,000	Production of Annual event
Bambi Fund	\$5,000	Ineligible expense	Nationals Dance Competition travel expenses
Cochise County Humane Society	Pending	\$5,000	TNR Program
Arizona Community Health Workers Association, Inc. (AzCHOW)	\$5,000	\$2,000	Raices y Alas Program
Mid-year requests		\$1,000	
<b>TOTAL</b>	<b>\$100,999</b>	<b>\$43,800</b>	

In summary, this FY 26-27 budget recommendation provides an overview of the City’s financial position. In summary, the FY 2026–2027 budget recommendation reflects a balanced and responsible approach to managing the City’s resources while preparing for future opportunities. The budget remains conservative in its revenue assumptions and maintains a commitment to sound fiscal management by supporting ongoing operations with recurring revenues and reserving fund balance for capital projects, strategic investments, and one-time initiatives that advance Douglas Vision 2032. Continued investment in infrastructure, economic development, and community priorities positions Douglas for long-term success while maintaining financial stability. This budget is the result of a collaborative effort by department directors, leadership, and the budget team, whose dedication and expertise continues to strengthen the City’s budgeting process each year. I appreciate their hard work and thank the Mayor and Council for their vision, leadership, and continued commitment to the future of Douglas.

Attachment 1A

DEPT	ITEM/PROJECT	TYPE	Funding Year	Amount Approved / Requested	Actuals through 05/08	
<b>Prior Carryover and Current</b>						
Economic Dev	Downtown Streetscape	Facilities	Various	\$1,158,802	105,208.44	Carryover difference
Facilities Maint	Food City Bldg Capital Repairs	Facilities	FY 2023/2024	\$228,608		carryover
Parks	Pet Park	Facilities	FY 2020/2021	\$20,000		combine with Parks Master Plan
Parks	Parks Master Plan Recommendations	Planning	FY 2021/2022	\$161,520	44,242.85	Carryover difference
Parks	Irrigation Controller, Pump and Roof at Paseo Linear Park	Facilities	FY 2021/2022	\$9,125		Not Carryover
PW Construction	City Hall Upgrades	Facilities	FY 2020/2021	\$74,525		Not Carryover
Airport	Airport Museum Improvements	Facilities	FY 2020/2021	\$42,457		carryover
Water and Sewer	POE & Dev Area Water and Sewer Design/Engineering	Infrastructure	FY 2021/2022	\$500,000	-	carryover
IT	TRM - Fiber Network - Downtown project	Infrastructure	FY 2024/2025	\$100,000	30,003.00	Carryover difference
IT	Pending Payment for LayerOne 2019 for fiber install pay 2/2	Infrastructure	FY 2024/2025	\$23,763	23,763.00	will be completed
IT	WTI remainder of Phase 1	Infrastructure	FY 2024/2026	\$8,145	10,000.00	completed
Fire/EMS	Garage Building 1015 Dolores	Facilities	FY 2024/2025	\$53,022	45,365.23	completed
Cemetery	Cemetery Beautification 2nd part	Facilities	FY 2024/2025	\$9,246	9,246.00	completed
Parks	Veteran's Memorial Pedestal Project	Facilities	FY 2024/2025	\$5,000		Not Carryover
PW Fac Maint	Rivera Building Improvements	Facilities	FY 2024/2025	\$13,844	3,253.70	carryover
PW Fac Maint	Call Center Interior Paint, Roof touchup, Server Crac Units	Facilities	FY 2024/2025	\$20,000		Carryover \$5k only
<b>Total</b>				<b>\$2,428,057</b>	<b>271,082.22</b>	
<b>FY 25/26 New Capital using Unrestricted Fund Balance</b>						
IT	Upgrade IT-CH fiber	Infrastructure		\$30,000	\$30,000	29,100.20 completed
IT	Computer Replacement	Infrastructure		\$35,000	\$35,000	35,041.02 completed
IT	TRM - Public Wifi 1	Infrastructure		\$22,700	\$22,700	will be completed
Fire/EMS	Electrical, Lighting, Door Motors, Heating/Cooling for Steel Garage	Facilities		\$45,000	\$45,000	completed
Police	6 Replacement Ballistic Vest	Equipment		\$4,200	\$4,200	3,663.73 completed
Police	Forensic Mapping System	Equipment		\$23,490	\$23,490	23,732.12 completed
Tourism	Douglas Tours Vehicle	Vehicle		\$55,000	\$55,000	62,295.50 completed
Cemetery	Cemetery Beautification 3rd part	Facilities		\$65,000	\$65,000	39,876.00 Carryover difference
Parks	Ball Field Improvements	Facilities		\$50,000	\$50,000	carryover
Parks	Durazo Field Concession	Facilities		\$60,000	\$60,000	carryover
Aquatics	Men's shower remodel	Facilities		\$35,500	\$35,500	32,609.71 completed
PW Adm	Land Purchase (1/5)	Facilities		\$14,000	\$14,000	13,935.00 completed
PW Fac Maint	City Hall Flooring - pending correct amount	Facilities		\$60,000	\$60,000	carryover
PW Fac Maint	Replace roof exhaust fans to Council	Facilities		\$20,000	\$20,000	carryover
PW Fleet	Transmission Flush Machine	Equipment		\$7,000	\$7,000	6,999.75 completed
Dev Serv	Equipment for Blight Abatement Crew	Equipment		\$50,000	\$50,000	15,232.12 completed
<b>Total</b>				<b>\$576,890</b>	<b>262,485.15</b>	
	Council Special Projects			\$150,000	\$150,000	15,900.00 Carryover difference
	Vision 2032 Policy Priorities			\$200,000	\$200,000	136,918.62 Carryover difference
	Strategic Investments			\$350,000	\$350,000	- carryover
	ISP Strategy and Tower Asset Management			\$100,000	\$100,000	100,000.00 completed
	Boys & Girls Club seed money			\$200,000	\$200,000	200,000.00 completed
<b>Total</b>				<b>\$1,000,000</b>	<b>452,818.62</b>	
PW HURF	Asphalt Plant	Equipment		\$2,971,189	<b>\$2,971,189</b>	<b>2,682,055.29</b>
<b>Total</b>				<b>\$2,971,189</b>		
Airport	Electrical upgrade to East hangars	Facilities				Pending Sale
Airport	Fog seal main entry and taxiway	Infrastructure				Pending Sale
Airport	Match Amount for historical upgrades to main hangar	Facilities				Pending Sale
Airport	Weather Station	Equipment				Pending Sale
Airport	Upgrade and Relocate Jet A fuel tanks	Facilities				Pending Sale
Airport	New Pilot's Lounge	Facilities				Pending Sale
Airport	PAPI lights replacements	Infrastructure				Pending Sale
Airport	Restripe through County IGA	Infrastructure				Pending Sale
Airport	Electrical improvements hangar	Facilities				Pending Sale
Airport	New Truck	Vehicles				Pending Sale
Airport	Flail mower	Equipment				Pending Sale
Airport	Save America's Treasures Project	Facilities				Pending Sale
<b>Total Available for particular projects</b>				<b>\$247,194</b>	<b>-</b>	

**Attachment 1B**

Sourc DEPT	ITEM/PROJECT	TYPE	Funding Year	Amount
<b>Prior Carryover and Current</b>				
Economic Dev	Downtown Streetscape	Facilities	Various	\$1,053,970
Facilities Maint	Food City Bldg Capital Repairs	Facilities	FY 2023/2024	\$228,608
Parks	Parks Master Plan Recommendations (funding from Pet Park included here)	Planning	FY 2021/2022	\$137,277
Airport	Airport Museum Improvements	Facilities	FY 2020/2021	\$42,457
CMO	POE & Dev Area Water and Sewer Design/Engineering	Infrastructure	FY 2021/2022	\$500,000
IT	TRM - Fiber Network - Downtown project	Infrastructure	FY 2024/2025	\$69,997
PW Fac Maint	Rivera Building Improvements	Facilities	FY 2024/2025	\$13,844
PW Fac Maint	Call Center Roof touchup	Facilities	FY 2024/2025	\$5,000
Parks	Ball Field Improvements	Facilities	FY 2025/2026	\$50,000
Parks	Durazo Field Concession	Facilities	FY 2025/2026	\$60,000
Cemetery	Cemetery Beautification 3rd part	Facilities	FY 2025/2026	\$25,707
PW Fac Maint	Replace roof exhaust fans to Council	Facilities	FY 2025/2026	\$20,000
PW Fac Maint	City Hall Flooring	Facilities	FY 2025/2026	\$60,000
GG	Council Special Projects (\$120k carryover from \$150k)	Various	FY 2025/2026	\$120,000
GG	Vision 2032 Policy Priorities (\$20k carryover from \$200k)	Various	FY 2025/2026	\$20,000
GG	Strategic Investments (carryover)	Various	FY 2025/2026	\$350,000
CMO	GRANT MATCH	Misc	FY 2025/2026	\$670,000
<b>Total</b>				<b>\$3,426,860</b>

**FY 26/27 New Capital using Unrestricted Fund Balance**

			Requested	Recommended
Economic Dev	Additional Amount for Downtown (streetscape and retail coaching [\$25k-\$30k])	Facilities	\$550,091	\$550,091
IT	Generator Well 6 Telecom	Infrastructure	\$45,000	\$45,000
IT	Fiber Projects FY 27	Infrastructure	\$70,000	\$15,000
IT	Network Upgrade	Infrastructure	\$550,000	\$120,000
GG	Council Special Projects (\$120k carryover from \$150k)	Various	\$30,000	\$30,000
GG	Vision 2032 Policy Priorities (\$20k carryover from \$200k)	Various	\$180,000	\$180,000
Fire/EMS	Station Renovations - Stucco, Ceilings, Bay Heating & Cooling, North Awning Er	Facilities	\$45,000	\$15,000
Fire/EMS	9 couches/recliners for living area	Equipment	\$6,000	\$6,000
Police	Glocks with optics & holster	Equipment	\$31,550	\$31,550
Police	Sewer drain for Animal Shelter	Equipment	\$10,000	\$10,000
Tourism	Official Van Wrap	Vehicle	\$15,000	\$15,000
Cemetery	54" John Deere Mower	Equipment	\$18,000	\$18,000
Cemetery	Tree Irrigation (various items to purchase)	Facilities	\$5,000	\$5,000
Cemetery	Stage Roof	Facilities	\$8,000	\$8,000
Cemetery	Tree Removal and Care	Facilities	\$15,000	\$15,000
Parks	Stump Grinder	Equipment	\$10,000	\$10,000
Parks	72" Replacement Mower	Equipment	\$20,000	\$20,000
Parks	Park Restroom Repair or Replace Project	Facilities	\$70,000	\$70,000
Parks	Replacement Water Fountains (20)	Facilities	\$60,000	\$60,000
Parks	Tree Removal and Pruning	Facilities	\$15,000	\$15,000
Recreation	Ford Transit Wrap	Equipment	\$15,000	\$15,000
Aquatics	Pentair Pumps for 8th St Pool	Facilities	\$22,500	\$22,500
Aquatics	Lobby Roof Repairs	Facilities	\$16,750	\$16,750
Aquatics	Women's bathroom roof repairs	Facilities	\$16,500	\$16,500
Aquatics	Office Roof Repairs	Facilities	8,500	\$8,500
Aquatics	A/C Minisplit: 8th St Shack	Facilities	\$6,500	\$6,500
PW Adm	ADA Ramp for PW Adm Trailer	Facilities	\$5,000	\$5,000

PW Adm	New Roof Shingles PW Adm Trailer	Facilities	\$5,000	\$5,000
PW Fac Maint	Call Center (CC) new restrooms - for West Side (Rec Center)	Facilities	\$50,000	\$50,000
PW Fac Maint	CC Repairs to Outdoor Chiller Unit - replace 5 of 8 Condensor motor fans / them	Facilities	\$7,500	\$7,500
PW Fac Maint	CC Upgrade parking lot lighting - rewire northside poles	Facilities	\$10,000	\$10,000
PW Fac Maint	7th St Bldg Paint Ext / upgrade lighting	Facilities	\$10,000	\$10,000
PW Fleet	Transmission Jack	Equipment	\$8,000	\$8,000
Dev Serv	Equipment for Blight Abatement Crew- mini bobcat excavator	Equipment	\$10,000	\$10,000
Transit	Resurface parking lot and ADA facility improvements	Facilities	\$35,000	\$35,000
Golf	Commercial Stove	Equipment	\$10,000	\$10,000
Golf	Tables and Chairs for Bar Area	Facilities	\$15,000	\$15,000
Golf	Front 9 irrigation improvements	Facilities	\$1,300,000	\$1,300,000
Golf	Pole Barn for Eq Storage	Facilities	\$120,000	\$120,000
Airport	Electrical upgrade to East hangars	Facilities	\$10,000	\$10,000
Airport	Weather Station	Facilities	\$100,000	\$100,000
Airport	PAPI lights replacements	Facilities	\$150,000	\$150,000
Airport	Single Point Fueling	Facilities	\$10,000	\$10,000
CMO	GRANT MATCH	Misc		\$120,500
			<b>Total</b>	<b>\$3,300,391</b>

#### Capital from Lease proceeds

PW HURF	Asphalt Plant	Equipment	\$380,000	<b>\$380,000</b>
			<b>Total</b>	<b>\$380,000</b>

#### Capital Contingent Upon Land Around the Airport Sale

Airport	Fog seal main entry and taxiway	Infrastructure		
Airport	Match Amount for historical upgrades to main hangar	Facilities		
Airport	Upgrade and Relocate Jet A fuel tanks	Facilities		
Airport	New Helipad	Infrastructure		
Airport	New Pilot's Lounge	Facilities		
Airport	Restripe through County IGA	Infrastructure		
Airport	Replacement of Beacon Light	Facilities		
Airport	Electrical improvements hangar	Facilities		
Airport	New Truck	Vehicles		
Airport	Flail mower	Equipment		
Airport	Fog seal runway and striping	Infrastructure		
Airport	9th Street Sewer to Airport	Infrastructure		
Airport	Save America's Treasures Project	Facilities		
			<b>Total</b>	<b>\$247,194</b>
			<b>GRAND TOTAL</b>	<b>\$7,354,445</b>

## Attachment 2

## GRANTS 2026-2027

		<u>Total Grant</u>	<u>2027 Max</u>	<u>2027 Max</u>	<u>2027</u>	<u>2027</u>	<u>Status</u>
		<u>Award</u>	<u>Revenue</u>	<u>Expense</u>	<u>Match</u>	<u>Total Expenditure</u>	
<b><u>Housing and Community Development</u></b>							
CDBG Grant		200,000	200,000	200,000		200,000	Awarded
Legacy Innovation Grant		50,000	50,000	50,000		50,000	Apply
Legacy Foundation Responsive Grant		5,000	5,000	5,000		5,000	Apply
Freeport Investment Grant		8,500	8,500	8,500		8,500	Apply
Tohono O'odham - Arts and Cultural Program		100,000	100,000	100,000		100,000	Apply
Congressional Directed Spending Downtown Streetscape		2,900,000	2,900,000	2,900,000	-	2,900,000	Awarded
						-	
		3,263,500	3,263,500	3,263,500	-	3,263,500	
<b><u>Transit &amp; Tourism</u></b>							
ADOT Transit Grant 5311 Admin, Oper & Capital	***	1,170,955	1,170,955	1,170,955	790,783	1,961,737	Awarded
ADOT 5339 - New Bus	***	-	-	-	-	-	Awarded
Freeport McMoran Transit Grant	***	25,000	25,000	25,000		25,000	Apply
ADOT 5339 Engineering/Design Transit Facility	***	300,000	300,000	300,000	60,000	360,000	Apply
		1,495,955	1,495,955	1,495,955	850,783	2,346,737	
<b><u>Fire</u></b>							
CDS - AFG - Fire Engine		850,000	850,000	850,000	42,500 GF	892,500	Apply
CDS - AFG - Three Lucas Device		80,000	80,000	80,000	4,000 GF	84,000	Apply
CDS - AFG - Ambulance		280,000	280,000	280,000	14,000 GF	294,000	Apply
IAFC HAZ MAT Conference		5,000	5,000	5,000		5,000	Awarded
MAHMT Conference		5,000	5,000	5,000	-	5,000	Awarded
Continuing Challenge HAZ MAT Conference		5,000	5,000	5,000		5,000	Awarded
Tohono O'odham - 5 Ambulance Gurneys		233,000	233,000	233,000		233,000	Apply
Fire Christmas Drive Walmart		5,000	5,000	5,000	-	5,000	Awarded
		1,463,000	1,463,000	1,463,000	60,500	1,523,500	
<b><u>Police</u></b>							
Operation Stonegarden OT	*	500,000	500,000	500,000		500,000	Awarded
Operation Stonegarden Mileage	*	30,000	30,000	30,000		30,000	Awarded
Operation Stonegarden Equipment		80,000	80,000	80,000		80,000	Awarded
Governor's Office of Highway Safety		90,000	90,000	90,000		90,000	Awarded
Governor's Office of Highway Safety DUI Detail	*	55,000	55,000	55,000		55,000	Awarded
AZDEMA - License Plate Readers		194,177	35,724	35,724		35,724	Apply
Congressional Directed Spending Police Station Historic Preservation		1,300,000	455,000	750,000	550,000 GF	1,300,000	Awarded
CDS - Emergency Response Equipment		627,000	627,000	627,000		627,000	Awarded
FBI Overtime	*	50,000	50,000	50,000		50,000	Awarded
DEA/ SAMIT Grant	*	28,500	28,500	28,500		28,500	Awarded
DEA/ SAMIT Grant Travel & Training & Equipment		15,800	15,800	15,800		15,800	Awarded
SHSGP - SRT Body Armour		38,000	38,000	38,000		38,000	Apply
House of Representatives - Less Lethal		34,323	34,323	34,323		34,323	Apply
		3,042,800	2,039,347	2,334,347	550,000	2,884,347	
<b><u>Public Works</u></b>							
Congressional Directed Spending Chino Rd Ext		4,500,000	3,500,000	3,500,000		3,500,000	Awarded
Congressional Directed Spending EPA SCADA	**	833,500	833,500	833,500	-	833,500	Awarded
Congressional Directed Spending JRR Water	**	2,500,000	2,500,000	2,500,000		2,500,000	Pending
AZ State ARPA Grant - West Expansion	**	8,900,000	6,900,000	6,900,000		6,900,000	Awarded
AZ State Appropriations Grant for West Expansion	**	17,311,241	17,311,241	17,311,241		17,311,241	Pending
County ARPA Grant - West Expansion	**	5,000,000	4,500,000	4,500,000		4,500,000	Awarded
NADBank West Expansion Final Design	**	500,000	250,000	250,000		250,000	Awarded
NADBank BEIF for West Expansion	**	8,000,000	8,000,000	8,000,000		8,000,000	Pending
RAISE Grant - Commercial Routes		23,500,000	5,875,000	5,875,000		5,875,000	Awarded
Army Corps 595 Water/Sewer to POE	**	1,950,000	1,950,000	1,950,000	650,000	2,600,000	Awarded
SAVE America's Treasures (Airport)		750,000	750,000	750,000		1,500,000	Awarded
NADBank PDAP Grant for Design WWTP Flood Mitigation	**	359,756	359,756	359,756		359,756	Pending
WIFA Well 18 and Geronimo Trail Grant	**	2,000,000	2,000,000	2,000,000		2,000,000	Awarded
WIFA Water Conservation Grant - PER Effluent Reuse	**	250,000	10,000	10,000	2,500	12,500	Awarded
WIFA - SR-80 West Expansion Water Line	**	2,000,000	2,000,000	2,000,000	-	2,000,000	Awarded
WIFA Water Conservation Fund - Geronimo Trail Transmission Line	**	813,750	10,000	10,000	2,500	12,500	Awarded
DOT Safe Streets For All	****	440,000	440,000	440,000	91,983	531,983	Awarded
ADOT Connector Road Grant		8,170,000	8,170,000	8,170,000		8,170,000	Awarded
ADOT Aeronautics Perimeter Fencing Grant Ph III	****	497,758	377,758	377,758		377,758	Awarded

	88,276,005	-	65,737,255	-	65,737,255	-	746,983	67,234,238
<b>Library</b>								
E-Rate Grant (Internet) *	28,000		28,000		28,000		2,800 *	30,800 Awarded
LSTA Grant	30,000		30,000		30,000			30,000 Awarded
Tohono O'odham - Library Improvements	15,000		15,000		15,000			15,000 Apply
Cochise Community Foundation	5,000		5,000		5,000		-	5,000 Apply
Borderlands Restoration Network	5,000		5,000		5,000			5,000 Apply
Dollar General Literacy Grant	1,500		1,500		1,500			1,500 Awarded
Wal Mart Library Literacy Grant	1,000		1,000		1,000		-	1,000 Awarded
	<u>85,500</u>		<u>85,500</u>		<u>85,500</u>		<u>2,800</u>	<u>88,300</u>

<b>Other</b>								
Other Grants (Matching)								-
	-		-		-		-	-

<b>TOTALS REQUESTED</b>	<b>97,626,760</b>		<b>74,084,557</b>		<b>74,379,557</b>		<b>2,211,066</b>	<b>77,340,623</b>
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<b>TOTALS APPROVED</b>	<b>97,626,760</b>		<b>74,084,557</b>		<b>74,379,557</b>		<b>2,211,066</b>	<b>77,340,623</b>
Totals for Grants Fund	44,083,300		24,454,847		24,749,847		610,500	26,110,347

Awarded	67,232,763		43,849,013		44,144,013		2,090,566	46,984,578
Apply	2,223,000		2,064,547		2,064,547		120,500	2,185,047
Pending	28,170,997		28,170,997		28,170,997		0	28,170,997

\*Grants Accounted for in General Fund Rev & Exp

\*\*Grant Accounted for in the Water & Sewer Rev and Exp

\*\*\*Grant Accounted for in Transit Fund

\*\*\*\*Grant Accounted for in Airport or HURF

**Grant Match from FY 26 already restricted in GF Fund Balance**

Congressional Directed Spending Police Station Historic Preservation	295,000	1 of 3
SAVE America's Treasures (Airport)	<u>375,000</u>	
	670,000	

**New Grant Match Needed for FY 27 from GF**

ADOT 5339 Engineering/Design Transit Facility	60,000
CDS - AFG - Fire Engine	42,500
CDS - AFG - Three Lucas Device	4,000
CDS - AFG - Ambulance	<u>14,000</u>
<b>New Grant Match Amounts needed from C</b>	<b>120,500</b>