MAYOR AND COUNCIL REGULAR MEETING - JANUARY 08, 2025 AT 6:00 PM



<u>Minutes</u>

The Mayor and Council met in a Regular Meeting on Wednesday, January 8, 2025, at 6:00 p.m., in the City Hall Council Chamber, 425 10th Street. The Honorable Mayor Jose Grijalva called the meeting to order.

- CALL TO ORDER. 6:25 p.m.
- 2. PLEDGE OF ALLEGIANCE. By Council.
- 3. INVOCATION: Mayor Jose Grijalva.
- 4. ROLL CALL.

PRESENT	ABSENT
x	
X	
x	
X	
	X (excused)
X	
X	
X	
X	
X	
X	
	X X X X X X

5. PERSONS WISHING TO ADDRESS THE COUNCIL IN WRITING OR VERBALLY ON ANY ITEM NOT ON THE AGENDA.

Ms. Andrade stated no public participation forms were submitted.

- DISCUSSION/DECISION on APPROVAL of CONSENT AGENDA ITEMS:
- A. EXPENDITURES for the month of DECEMBER 2024 totaling \$4,590,256.54
- B. MEETING MINUTES for DECEMBER 4 and DECEMBER 11, 2024.
- C. DOUGLAS AIRPORT AUTHORITY APPOINTMENT of MITCH LINDEMANN.
- D. INDUSTRIAL DEVELOPMENT AUTHORITY APPOINTMENT of DAVID STUDER.

Motion by Council Member R. Acosta, second by Council Member Baldenegro to approve consent agenda items as presented.

Roll call: Voted in Favor: Mayor Jose Grijalva, Council Members: Melissa Rodriguez, Jose Montaño, Danya Acosta, Michael Baldenegro and Richard Acosta. Voted Against: None.

7. MAYOR'S COMMITTEE DESIGNATIONS.

Mayor Grijalva stated that according to Article V, Section 3 of the city charter, it is not necessary for the council's consent to appoint himself, a council member, or the city manager to a city board, commission, or committee. He then outlined the upcoming appointments. Therefore, the following will be the destinations.

- A. DOUGLAS AIRPORT AUTHORITY APPOINTMENT of RICHARD ACOSTA.
- B. DOUGLAS PUBLIC FACILITY MUNICIPAL PROPERTY CORPORATION APPOINTMENT of DANYA ACOSTA.



Mayor Grijalva provided certificates of appointment to the appointed members.

8. DISCUSSION/DECISION on APPROVALS.

A. RESOLUTION NO. 25-1648, a Resolution of the Mayor and Council of the City of Douglas, Cochise County, Arizona, APPROVING the ACCEPTANCE of a \$32,500 grant from the LEGACY FOUNDATION OF SOUTHEAST ARIZONA to fund an ARCHITECTURAL ASSESSMENT of the CALL CENTER BUILDING.

Ms. Villalobos presented Resolution No. 25-1648, regarding the acceptance of a \$32,500 grant from the Legacy Foundation of Southeast Arizona to fund an architectural assessment of the Call Center building. The grant would evaluate the feasibility of converting the structure into a community center with amenities such as a women's and girls' club, innovation center, and recreational spaces.

Council members expressed support for the project, noting its potential to provide a dedicated community space and keep youth off the streets. Council Member Baldenegro inquired about the timeline, to which Ms. Villalobos responded that they first needed to assess feasibility before determining a timeline.

Motion by Council Member Baldenegro, second by Mayor Pro Tempore Acosta Council Member Rodriguez to approve Resolution No. 25-1648.

Mayor Grijalva mentioned that the location is ideal, being in a residential area near schools. He recalled that when they were in school, they had places to go, and now the council is focused on providing the youth with better opportunities by offering activities to keep them off the streets. He acknowledged that Ms. Villalobos plays a significant role in this effort.

Roll call: Voted in Favor: Mayor Jose Grijalva, Council Members: Melissa Rodriguez, Jose Montaño, Danya Acosta, Michael Baldenegro and Richard Acosta. Voted Against: None.

- B. **RESOLUTION NO. 25-1649**, a Resolution of the Mayor and Council of the City of Douglas, Cochise County, Arizona, **AUTHORIZING** the execution of a **REVISED INTERGOVERNMENTAL AGREEMENT** between the City of Douglas and Cochise County for providing **CERTIFIED WATER OPERATOR SERVICES** at the groundwater well site at the Bisbee-Douglas International Airport in Cochise County, Arizona.
- Mr. Pedroza explained that the City of Douglas and Cochise County have an existing Intergovernmental Agreement (IGA) for Certified Water Operator Services at the Bisbee-Douglas International Airport (BDI), which expires on January 1, 2025. The agreement needs to be updated to reflect current costs.

The city provides water operator services, including testing and monitoring water quality, as required by ADEQ. The agreement also includes filing the annual consumer confidence report.

The updated IGA proposes increasing the billing amount from \$1,850 to \$2,190 per month and raising the hourly rate from \$40 to \$47. There will also be a 2.5% annual increase. Minor edits and clarifications have been made.

The Cochise County Board of Supervisors has approved the new agreement, which will take effect retroactively on January 1, 2025.

Motion by Council Member Rodriguez, second by Council Member Baldenegro to approve Resolution No. 25-1649.

Roll call: Voted in Favor: Mayor Jose Grijalva, Council Members: Melissa Rodriguez, Jose Montaño, Danya Acosta, Michael Baldenegro and Richard Acosta. Voted Against: None.

C. **RESOLUTION NO. 25-1650,** a Resolution of the Mayor and Council of the City of Douglas, Cochise County, Arizona, **ADOPTING** the City of Douglas 2025 **PUBLIC SAFETY PERSONNEL RETIREMENT SYSTEM PENSION FUNDING POLICY.**



Mr. Martinez presented Resolution No. 25-1650, adopting the City of Douglas 2025 Public Safety Personnel Retirement Pension Funding Policy. He reported that the 2024 actuarial valuation showed a funded ratio of 100.1% for police and 99.6% for fire, resulting in a combined unfunded accrued liability of \$59,160. Mr. Martinez noted that this favorable position was achieved through the city's use of \$1,080,942 from its PSPRS contingency reserve and favorable investment returns.

Motion by Council Member D. Acosta, second by Council Member Montaño to approve Resolution No. 25-1650.

Mayor Grijalva thanked staff and as Mr. Martinez mentioned, this policy is getting the city in good fiscal standing.

Roll call: Voted in Favor: Mayor Jose Grijalva, Council Members: Melissa Rodriguez, Jose Montaño, Danya Acosta, Michael Baldenegro and Richard Acosta. Voted Against: None.

D. RESOLUTION NO. 25-1651, a Resolution of the Mayor and Council of the City of Douglas, Cochise County, Arizona, AUTHORIZING the City of Douglas to ACCEPT GRANT FUNDING and ENTER into a SUBGRANTEE AGREEMENT with the STATE OF ARIZONA DEPARTMENT OF HOMELAND SECURITY for a REIMBURSABLE GRANT FUND allocation in the amount of \$228,598 for OVERTIME and MILEAGE COSTS under OPERATION STONEGARDEN Fiscal Year 2021 Reallocation Grant Program.

Chief Fullen provided background information and stated that the Arizona Department of Homeland Security selected the department to receive \$228,598 in funding under the FFY 2021 Operation Stonegarden Award Reallocation Grant Program. Funding left over from that period and has been reallocated to the agency among others. The performance period for this grant cycle is January 1, 2025, through July 31, 2025.

The Department has participated in the Operation Stonegarden Program since its inception and to date all expenditures have been reimbursed in full. This funding will cover overtime, employee related expenses and mileage reimbursement.

Motion by Council Member R. Acosta, second by Council Member Baldenegro to approve Resolution No. 25-1651.

Mayor Pro Tempore Acosta thanked Chief Fullen and the staff, noting that this program has been in place for over 20 years in partnership with federal agencies.

Chief Fullen expressed gratitude to the entire staff, highlighting that while some write the grant and attend meetings, others manage reimbursements, and the officers, along with communications staff, carry out the work on the ground.

Roll call: Voted in Favor: Mayor Jose Grijalva, Council Members: Melissa Rodriguez, Jose Montaño, Danya Acosta, Michael Baldenegro and Richard Acosta. Voted Against: None.

E. SECOND READING OF ORDINANCE NO. 24-1205, an Ordinance of the Mayor and Council of the City of Douglas, Cochise County, Arizona, (1) APPROVING the SALE, EXECUTION and DELIVERY of PLEDGED REVENUE OBLIGATIONS, SERIES 2025, evidencing all the interest of the owner thereof in a PURCHASE AGREEMENT; (2) APPROVING the FORM, AUTHORIZING the EXECUTION and DELIVERY of NECESSARY AGREEMENTS, INSTRUMENTS and DOCUMENTS related to the SALE, EXECUTION and DELIVERY of such obligations; (3) ADOPTING POST-ISSUANCE TAX COMPLIANCE PROCEDURES in connection with issuance of obligations of the city; (4) DELEGATING AUTHORITY to the Mayor, the City Manager, the Deputy City Manager and the Finance Director to determine certain matters and terms with respect to the foregoing; and (5) AUTHORIZING the taking of all other actions necessary to the consummation of the transactions contemplated by this ordinance; establishing severability of components of Ordinance; and establishing an effective date thereof.

Mr. Martinez provided background information regarding the sale, execution, and delivery of pledged revenue obligation series 2025 for the purchase of an asphalt plant and related equipment. He noted two changes from the first reading: the not-to-exceed amount was increased from \$4 million to \$4.5 million, and the term was



extended from 15 to 20 years. Mr. Martinez explained that these changes were due to additional costs identified for equipment and installation.

Motion by Council Member Baldenegro, second by Council Member Rodriguez to approve the second reading of Ordinance No. 24-1205 with modifications as presented.

Mayor Pro Tempore Acosta noted *inaudible*and hopes to become self-reliant on asphalt, as street repairs are a priority.

Council Member Baldenegro asked if the zipper and loader were solely for the asphalt plant and not included in the fiscal year 2025 budget. Mr. Martinez confirmed they were exclusively for the asphalt plant and not part of the budget.

Ms. Urquijo clarified that these items were initially part of the overall project financing, despite earlier discussions during the budget process.

Mr. Pedroza explained that these equipment pieces are complementary to the asphalt plant operation, helping with paving and road preparation.

Mayor Grijalva asked about a million-dollar cost difference, to which Mr. Pedroza explained it was due to a change in silo type and additional freight costs that were not included in the original quote.

Mayor Grijalva also inquired if more experienced personnel would be needed, and Mr. Pedroza confirmed that staff would need training, including certifications through ADEQ, with training planned for Tennessee.

Mr. Martinez added that training costs were also not part of the original quote.

Council Member Montaño asked about unforeseen costs. Mr. Pedroza mentioned a buffer for potential site preparation costs, such as electrical and gas line upgrades.

Mayor Grijalva raised concerns about the city's readiness for new debt if the asphalt plant was funded, rather than the community center. Mr. Pedroza responded that the city's budget was balanced, using reserves for the asphalt plant debt, while also considering potential funding options for a community center.

Ms. Urquijo added that future community center funding would depend on grant opportunities and the new budget process.

Mayor Grijalva then invited audience members to sign up to speak if they wished.

Roll call: Voted in Favor: Mayor Jose Grijalva, Council Members: Melissa Rodriguez, Jose Montaño, Danya Acosta, Michael Baldenegro and Richard Acosta. Voted Against: None.

PRESENTATION/DISCUSSION/DIRECTION.

A. ALLEY CLEANUP CURRENT STATE and ALTERNATIVES.

Ms. Gonzalez presented an update on alley cleanup efforts in the city. She reported that out of 320 violation notices sent in the past two years, only nine citations were issued, indicating a high compliance rate. The city's blight crew, hired in April 2024, had cleaned 83 alleys, representing 22% of the city's alleys.

Council members discussed various aspects of the alley cleanup program, including the use of DOC crews, spraying for weeds, and potential strategies to improve efficiency. Ms. Urquijo mentioned that the city was looking into creating a blitz program for weed control in alleys.

Mayor Pro Tempore Acosta inquired about city expenses, to which Ms. Gonzalez clarified that the city absorbs the costs for wildcat dumping and alley cleanups, including transfer station fees, without passing them on to constituents.



Council Member Rodriguez asked if there has been an impact on cleanliness and how the city is monitoring it. Ms. Gonzalez stated that violation notices have led to nearly 100% compliance, with only 9 citations issued from 320 notices. Some people remain unresponsive, but enforcement is generally effective.

Regarding alley upkeep, Ms. Gonzalez explained that homeowners are responsible for the right-of-way, and the city is monitoring both residential and commercial properties for compliance. She also provided statistics on alley cleanups, stating that 83 alleys were cleaned from April to December, about 22% of the city's alleys. A proposal for spraying weeds in alleys would cost \$7,000 annually, but the process could take years to complete citywide.

Mayor Grijalva asked if the city could use DOC crews for this work. Ms. Gonzalez confirmed that DOC crews are often assigned elsewhere, but staff are working on a more consistent schedule with DOC. She added that parks crews help with spraying during the winter months when park maintenance slows down.

Ms. Urquijo noted that the new blight crew has allowed for better management of alley upkeep, and efforts are underway to explore additional funding or programs to increase the city's capacity to manage the alleys. She also discussed the challenge of balancing revenue with expenses, noting ongoing efforts to secure better tipping fee relief and educate the community on proper alley maintenance.

Mayor Grijalva suggested partnering with the new county supervisor on these initiatives. Ms. Gonzalez concluded by noting that the \$7,000 estimate only covers chemicals and does not include training or certification costs for staff to use the herbicides.

Mayor Grijalva directed Ms. Urquijo to bring forward different scenarios on cost and equipment is needed.

B. AMUSEMENT TAX.

Mr. Martinez presented information on the city's amusement tax, which is currently set at 3.8% of gross income from certain business activities. He provided revenue figures for the past few years, noting that the tax generated \$17,095.97 in fiscal year 2024, representing 0.15% of the city's total sales tax revenue.

The staff recommendation was to temporarily eliminate the amusement tax for three years with a sunset clause, allowing the council to reassess its impact. An alternative option was presented to eliminate only subsection two of the tax, which applies to gyms and fitness centers.



Amusement tax business activities

Includes the following type or nature of businesses:

- (1) operating or conducting theaters, movies, operas, shows of any type or nature, exhibitions, concerts, carnivals, circuses, amusement parks, menageries, fairs, races, contests, games, billiard or pool parlors, bowling alleys, skating rinks, tennis courts, golf courses, video games, pinball machines, public dances, dance halls, sports events, jukeboxes, batting and driving ranges, animal rides, or any other business charging admission for exhibition, amusement, or entertainment.
- (2) health spas, fitness centers, dance studios, or other persons who charge for the use of premises for sports, athletic, other health-related activities or instruction, whether on a per event use, or for long-term usage, such as membership fees (option H)

What is Amusement Tax?

The tax rate shall be at an amount equal to three and eight-tenths percent (3.8%) of the gross income from the business activity upon every person engaging or continuing in the business of providing amusement that begins in the city or takes place entirely within the City



Amusement tax business activities

Includes the following type or nature of businesses:

- (1) operating or conducting theaters, movies, operas, shows of any type or nature, exhibitions, concerts, carnivals, circuses, amusement parks, menageries, fairs, races, contests, games, billiard or pool parlors, bowling alleys, skating rinks, tennis courts, golf courses, video games, pinball machines, public dances, dance halls, sports events, jukeboxes, batting and driving ranges, animal rides, or any other business charging admission for exhibition, amusement, or entertainment.
- (2) health spas, fitness centers, dance studios, or other persons who charge for the use of premises for sports, athletic, other health-related activities or instruction, whether on a per event use, or for long-term usage, such as membership fees (option H)



Amusement Tax Definition of Transaction Privilege Taxes (TPT): TPT is a tax levied on businesses for the privilege of conducting business in a specific location. While the business is taxed, the cost is typically passed on to the consumer Taxable Only on Purchases or Use: TPT applies only when goods or services are purchased or used. Amusement Tax Focuses on Non-Essential Goods and Services: Amusement taxes, a category within TPT, target activities and services related to entertainment and leisure, such as movie tickets, concerts, and recreational events. These are considered non-essential wants rather than necessities Encouraging Equitable Tax Distribution: By taxing non-essential goods and services, the system ensures a fairer contribution from those who can afford feisure and entertainment, while protecting essential needs from additional taxation.

Ho	ow do we compare?
o D	ouglas amusement tax is 3.8%
♦ R	anks #11 in the State
♦ lr	comparison:
	 Benson, Bisbee and Tombstone are #13 (3.5%), Sierra Vista #79 (1.95%)
+ A	Il 92 Cities and Towns tax amusement at their regular rate, excep
	or Colorado City which taxes at 7%, 5% higher than their regular ate
* 5	tate average is 2.86%, median is 2.9% and Mode is 3%

1	Staff recommendations
	Temporary elimination of Amusement Sales Tax
۶	Sunset clause of 3 years and reassess:
	> Were more amusement activities attracted?
	Did it have a significant impact on existing business (expansion)?
>	Continue to monitor State legislature changes in tax policies and its effect on Cities
>	Provides opportunity to attract more amusement activities during this 3-year period
•	Although growing, it has a minimal impact on current sales tax revenue

City of Douglas numbers Amusement Tax Total Sales Tax % of total 2019 6.072.16 5,499,860.48 0.11% 2020 7.020.69* 7,400,531.78 0.0996 2021 5,613.67* 8,955,373.06 0.06% 2022 10,627.80* 9,206,923,28 0.12% 2023 13,494.79* 10,275,477.22 D.13% 2024 17.095.97* 11.281.933.54 0.15%

PF	ROS
٠	Possible increased tourism
*	Support for local businesses
٠	Economic stimulation
*	Enhanced community engagement
CC	ONS
*	Loss of revenue
٠	Unequal impact
٠	Limited impact
*	Short term gains vs Long-term sustainability
	Hard to reintroduce (if needed) if growth is attained

➤ Hard to reintroduce (if needed) if growth is attained Other options ➤ Section 5.04.410(a)(2) (local option H) of the Arizona Model City Tax Code pertains to the taxation of certain amusement activities such as health spas, fitness centers, dence studios, or other persons who charge for the use of premises for sports, athletic, other health-related activities or instruction, whether on a per event use, or for long-term usage, such as membership fee ➤ This section is one that 35 cities and towns have exercised the option via ordinance ➤ The major taxpayers under Local Option #H are gyms and fitness centers like Lifetime Fitness, EOS, LA Fitness, Gold's Gym, etc. ➤ This represents approximately 48% of the City of Douglas total amusement tax revenue ➤ The option available is to exclude option H from the amusement

Council Member Baldenegro asked about the origin of the tax. Mr. Martinez explained that the city follows the Model City Tax Code, used by all cities in Arizona, and while there is flexibility, some aspects can only be changed at the state level. He was unable to provide an exact date when the amusement tax was adopted but offered to follow up.

taxable activities

Council Member Baldenegro mentioned a county carnival discount. Mr. Martinez clarified that option H represents about 8% of the city's total amusement tax revenue, with gyms and fitness centers contributing around 45%, and the rest from other sources. He noted that the impact of the tax was minimal, making up just 0.11% of the past fiscal year's revenue.

Council Member R. Acosta commented that the savings might be passed on to consumers. Mr. Martinez confirmed that it's up to business owners whether to pass on the savings to customers or adjust fees, as they are responsible for paying the tax to the state and the city receives its portion.

Dominique Valenzuela, General Manager of Cochise County Fair, 3677 N Leslie Canyon Rd., commented on the tax rates, it's concerning that Douglas has a higher rate than Sierra Vista or surrounding tourist towns. While eliminating the tax may not be feasible, lowering it could help. The fair, which just celebrated its 100th year, faces challenges due to this tax, as it discourages vendors from coming. Ms. Valenzuela has been told multiple times that Douglas has the highest sales tax in Arizona. Although the amusement tax doesn't directly impact the fair association, it affects vendors, who pass it on to consumers and suggested revisiting this issue in three years to evaluate its impact.



Arturo Torres, Balar Owner, 1703 9th Street, commented that they started in 2018, but haven't fully reached their goal due to various challenges, including a lack of local city support. An increase in taxes would significantly impact them, especially since this is a border town where many customers cross over to shop. For example, Cochise County requires food to be catered from certified kitchens, but many customers want to bring their own food, which puts them in violation of the rules. Mr. Torres expressed the need for stronger support from the city to help them grow, as they already have interest from major artists wanting to visit. However, without community backing, it's difficult to move forward. The venue may be expensive, but other local businesses are also struggling, like Mr. Manchero, who recently closed. Businesses are facing tough times, but he is working to bring a major circus to Douglas, which could bring significant tourism. Mr. Torres mentioned businesses need support in promoting the town and attracting more visitors.

Council Member Montaño asked what support Mr. Torres needs from the city. Mr. Torres responded that more support is needed for promoting events and tourism, with someone dedicated to attracting visitors. He noted that there's a lack of activity on G Avenue, emphasizing the need for more attractions to revitalize the community.

Council Member Rodriguez agreed, stating that this is just the starting point for supporting local businesses and tourism but emphasized the need for more entertainment. Council Member Baldenegro suggested looking into sales tax, and Council Member R. Acosta proposed eliminating the amusement tax for three years to see its impact.

Mayor Grijalva expressed agreement, and Ms. Urquijo clarified that vendors would still pay state and county taxes even if the city tax is reduced. She confirmed that they would return with a decision package based on the direction provided.

Mayor Grijalva asked about eliminating the tax by emergency ordinance. Mr. Fitzgibbons confirmed it could be done with one reading under an emergency clause, but Mr. Martinez noted there are legal waiting periods and requirements to consider. Ms. Urquijo added they would prepare a packet with all scenarios and recommendations.

10. CITY MANAGER REPORTS.

Ms. Urquijo provided the following report: January library activities include various programs such as "Brain Break" (alternating Mondays from 2-5 PM), "Robles Craft Afternoon" for teens (alternating Mondays), winter arts and crafts, children and teen movies every Tuesday at 3:30 PM, STEAM Club (Wednesdays at 3 PM), and Chess Club (2nd and 4th Wednesdays at 3 PM). There's also Preschool Story Hour every Thursday at 11 AM, a Winter Paint Night for adults on January 17 at 5 PM (registration required), and a Book Club meeting on January 28 discussing *Pachinko* by Min Jin Lee.

Upcoming recreation events include Thunder Mountain Wrestling on January 25 with VIP meet and greet at 4 PM and show at 4:30 PM. General admission is free; VIP tickets are \$20. There's also a Polar Plunge event with Special Olympics on February 1 at 9 AM, featuring a superhero-themed costume contest. Participants will plunge in support of Special Olympics athletes.

Other updates: The library's annual gift program for seniors distributed 350 gifts to local nursing homes and others in need. The warming shelter remains open, especially with the snowstorm. GSA is continuing work on the new commercial port of entry project and is creating a community resource page for job opportunities, which will be shared on the website. Public meetings will be held to discuss local labor force involvement.

11. COUNCIL MEMBER UPDATE AND/OR REPORTS.

Mayor Pro Tempore Acosta provided an update on the BSA contract, and the jobs associated with it. She also mentioned that she recently joined the Arizona Association for Economic Development and is hopeful that being part of committees, like the Government Affairs Committee, will provide valuable information to share with local managers and help advance economic development. She also noted that the Energize Douglas initiative is approaching, and although no meeting dates have been set yet, she will invite the community to attend and encourage more participation. The event has been growing each year, and she looks forward to it.

Council Member Montaño suggested that Mr. Pedroza, being part of the leadership, could sit alongside Mr. Martinez.



Mayor Grijalva briefly commented on the block party, though parts were inaudible.

12. FUTURE AGENDA ITEM REQUESTS FROM MAYOR AND COUNCIL.

Inaudible.

13. ADJOURNMENT.

Motion by Council Member D. Acosta, second by Council Member Rodriguez to adjourn the meeting at 8:06 p.m.

Prepared by:

Alma Andrade, City Clerk