

SUBMITTED BY: Alejandro Martinez, Finance Director

MANAGEMENT TEAM REVIEW: Luis Pedroza, Deputy City Manager/City Treasurer

FOCUS AREA: Other / NA

ORGANIZATIONAL IMPROVEMENTS: EnterTextHere

SUBJECT: **RESOLUTION NO. 23-1557**, a Resolution of the Mayor and Council of the City of Douglas, Cochise County, Arizona, **ADOPTING** the City of Douglas **BUDGET** for Fiscal Year 2023/2024.

EXECUTIVE SUMMARY:

The final budget adoption for FY 2023/2024 is **\$71,735,643** (from tentative budget of \$83,970,004).

BACKGROUND:

The draft budget was presented to Mayor and Council during the Council meeting on June 14, 2023. The Council adopted a tentative budget via Resolution No. 23-1551. By adopting the tentative budget, Council established a maximum expenditure limit. For the final adoption, the Council may decrease or move funding from one line item to another within the same fund, but expenditures cannot be increased.

The consolidated budget includes the following items:

- Use Self-Funded Insurance Reserve to cover the additional \$8,500 for increased health insurance costs for family plans.
- 2% COLA (Cost of Living Adjustment) for all non-minimum wage employees and a one-time \$1,000 bonus for each employee funded out of reserves (prorated based time worked in the last year and on # of hours worked for non-fulltime employees); with a financial impact of \$200,000 for the one-time allocation and \$181,000 for the COLA.
- Allow increase in the allocated Golf Superintendent salary range for total salary costs of up to \$100,000.
- Additional \$700,000 for street improvements.
- Budgeted a betterment crew of 3 to address blight in the community and added \$225,000 for demolition and blight expenses.
- \$8.3 million (previously \$9.8 million) in capital projects of which \$3.8 million is from carryover and another \$2.3 million is new capital. \$2.1 million in capital is contingent upon the sale of the land around the Airport.
- 12 Limited Status (LS) Positions and 2 permanent positions that were unfunded in previous budget at a cost of \$514,000 (previously \$814,000).
- \$36,281,807 in Grants that includes \$687,000 in match.
- Funding year 2 of 3 for Classification Maintenance Review (CMR) Plan to achieve market wages across the organization in three years. The estimated cost per year to the General Fund for year two is \$330,000.
- The Water and Sewer divisions are funding each half of a construction crew comprising 4 laborers / operators and a Lead. They will address small line replacement or new installation projects and save money instead of contracting out.
- The Sewer budget also includes the use of \$1.5 million of the \$8.9 million State ARPA water/sewer grant to go towards the sewer design of the POE service area. \$259,000 is included to go towards funding equipment for the new CIP crews as well as \$50,000 for construction materials.
- Golf: \$1,180,000 is budgeted for the new fiscal year to include \$1 million from the net sale of the Rancho La Perilla Apartments, \$180,000 as a subsidy for operations, and approximately \$100,000 for a Golf Superintendent position (includes salary and benefits). The \$100,000 to fund the Golf Superintendent will come from \$1 million net sale proceeds.
- \$2.5 million in capital improvements for the Douglas Municipal Airport that includes \$2.1 million for the rehabilitation of the runway and \$100,000 for a revised Airport Layout Plan (ALP) that is part of the sale which will divide the Airport operations property and the vacant land around the Airport to execute the sale. Another \$300,000 is also budgeted for Phase III of the perimeter fencing, which will be contingent upon the ALP

revision. State Aeronautics is funding \$1.5 million for the runway rehabilitation and \$400,000 for the revised ALP and fencing.

- \$100,000 to the Miscellaneous Council Projects account to be used only if we find positions are needed in public safety after filling all vacancies.
- \$27,800 for outside community funding requests that include Douglas Oral History Project (\$1,000), Pirtleville Community Action Network (Wall of Faces, \$3,000), Douglas China Poblana (\$4,000), DARC (meals on wheels, \$1,800), DARC/Douglas Senior Citizens (\$13,000) and Making Connections 4U (back to school event, \$5,000).

Changes made after tentative adoption:

- The final state shared revenues came in lower than originally estimated by the State. The General fund will be affected negatively by \$555,638 and HURF by \$91,493.
- As a result, staff are recommending the elimination of asphalt plant debt service allocation in the amount of \$211,000. The city researched various asphalt plants and determined that it needs more time to assess the sizing, maintenance, personnel, and quality assurance to purchase a properly suited plant for the city's needs. For this fiscal year, the city would partner with a local contractor to furnish asphalt as needed from Sierra Vista for this budget and utilize the existing proceeds in the budget in the amount of \$438,000 towards the purchase of asphalt and/or contracting streets projects for FY 24.
- Staff recommends postponing the hiring of all 9 new general fund personnel requests until January 2024. It is estimated this will generate savings to the general fund of approximately \$300,000 from what was originally budgeted. Hiring for these positions may be done earlier than that if there are enough vacancy savings from other positions to allow for this.
- The city was notified it was not chosen for the RAISE grant it had budgeted for FY 23/24. We are eliminating that from the annual budget (\$15M) and adding \$5M as a placeholder for grant opportunities that may come to fruition during the fiscal year. The city still intends to apply for RAISE next year, but even if awarded, it would not see proceeds until FY25.
- Elimination of Housing allocation of \$15,488 for the Resident Services Facilitator functions as those are no longer being handled by the city.
- Addition of \$23,500 Wastewater carryover designated for a walkway through the chlorine contact chamber in FY23 into FY24 to purchase a new AC unit for the oxidation ditch electrical control room.
- Eliminated \$63,500 IT lease reimbursement since this was received prior to June 30. IT lease has been exhausted.

DISCUSSION:

Staff recommends approval of the FY 2023/2024 budget as presented.

FISCAL IMPACT:

None.

Fiscal Year: 2023/2024

Amount Requested:

Budgeted: Y / N

Account (s):

“...I MOVE THAT THE MAYOR AND COUNCIL APPROVE RESOLUTION NO. 23-1557.”