

SUBMITTED BY: Alejandro Martinez, Finance Director/City Treasurer

MANAGEMENT TEAM REVIEW: Ana Urquijo, City Manager

FOCUS AREA: Other / NA

ORGANIZATIONAL IMPROVEMENTS: EnterTextHere

SUBJECT: **RESOLUTION NO. 25-1672**, a Resolution of the Mayor and Council of the City of Douglas, Cochise County, Arizona, **ADOPTING** the **BUDGET** for **FISCAL YEAR 2025-2026**.

EXECUTIVE SUMMARY:

In Arizona, municipal budgets require a public hearing before final adoption (A.R.S. §42-17103). This hearing was held today at 5:15pm. The final budget cannot exceed the tentatively adopted budget's total (A.R.S. §42-17105), adopted on 06/11/2025.

BACKGROUND:

On June 30, 2025, the Arizona Department of Revenue provided final state shared revenue projections for sales (TTP) and income (USR) taxes, indicating a \$8,145 reduction in revenue for the City. This small adjustment has been reflected in the General Government contingency line item. The proposed budget remains otherwise unchanged since its tentative adoption on June 11, 2025. Here is a summary:

- **Total Expenditures:** \$96,594,133 (tentative budget sets spending ceiling, non-increasable after adoption on July 9; reallocations within funds allowed).
- **General Fund:** \$18,357,547 (2.1% increase), \$22,520,227 with transfers (9.3% decrease due to reduced property sale proceeds and lower capital/HURF transfers). Adjusted for state revenue projections, workers' compensation, and minor changes.
- **Budget Philosophy:** Focus on Sustainability, Efficiency, and Alignment with Douglas Vision 2032 priorities (e.g., infrastructure, downtown revitalization, economic growth).
- **Revenue:** Sales tax meets projections (April 2025 +0.8%); some revenue streams slowed.
- **Key Projects:** Two-Port Solution (Raul H. Castro Port drainage, Commercial POE connector road by 2028); funding gaps for West Utility Infrastructure.
- **Finance Committee:** Voted 4-1 to recommend budget (June 4, 2025); one member favored less conservative investment projections.
- **Personnel:** No comprehensive COLA; targeted adjustments for firefighters (\$37,560), minimum wage increase (\$11,490), \$1,000 one-time payment (\$209,000).
- **Grants:** \$35.7M awarded, \$2.3M applied, \$22.6M pending; \$5.6M matching funds (\$1.5M from General Fund).
- **Capital:** \$1.1M allocated (\$576,890 new projects, \$583,192 grant matches); \$895,749 shortfall from \$2.5M unrestricted fund balance, used for council projects, Vision 2032, strategic investments, ISP strategy, Boys & Girls Club, and grant matches.
- **Employee Health Insurance:** 2.4% premium increase for employee-only plans, new plan options; self-insurance fund stable.
- **Enterprise Funds:** Water (\$1.97M), Sewer (\$1.34M), Sanitation (\$21,065) use fund balances for capital and equipment.
- **Asphalt Plant:** Financed, delivery July 2025; supports city projects and resale. HURF: \$700,000 for streets, \$80,000 for equipment.
- **Golf Course:** \$957,108 for irrigation improvements; \$2,287 General Fund subsidy increase.
- **Land Sale:** Phase I (\$247,194) for airport improvements in FY 2026.
- **Community Funding:** \$30,000 for scholarships, events, senior center, and Meals on Wheels.

DISCUSSION:

Staff recommends Final Adoption of the FY 2025/2026 budget as presented.

FISCAL IMPACT:

The FY 2025/2026 Operating Budget establishes the projected revenues and expenditures for the City of Douglas.

Fiscal Year: 2025/2026

Amount Requested:

Budgeted: Y / N

Account (s):

“...I MOVE THAT THE MAYOR AND COUNCIL APPROVE RESOLUTION NO. 25-1672.”