

SUBMITTED BY: Luis Pedroza, Deputy City Manager/City Treasurer

MANAGEMENT TEAM REVIEW: Ana Urquijo, City Manager

FOCUS AREA: Other / NA

ORGANIZATIONAL IMPROVEMENTS: EnterTextHere

SUBJECT: **RESOLUTION NO. 22-1506**, a resolution of the Mayor and Council of the City of Douglas, Cochise County, Arizona, **ADOPTING** the tentative estimates of the amount required for the public expense of the City of Douglas for the fiscal year 2022-2023; adopting a **TENATIVE BUDGET**; setting forth the receipts and expenditures; the amount proposed to be raised by various means; and giving notice of the time for hearing taxpayers on the adoption of the final budget.

EXECUTIVE SUMMARY:

The tentative budget adoption for the City of Douglas Recommended Budget must be approved in accordance to ARS 42-17101 which sets the ceiling in spending.

BACKGROUND:

Staff provided a presentation of the proposed FY 2022/2023 Operating Budget during the Special Joint Council and Finance Committee Meeting on May 23, 2022. The proposed consolidated expenditures for FY 2022/2023 are \$60,041,109. By adopting the tentative budget, Mayor and Council sets the ceiling in spending for the fiscal year and cannot be increased thereafter. At the final budget adoption, scheduled for July 13, expenditures cannot be increased higher than the established maximum amounts, however, expenses can be moved or reallocated only within the same funds.

The Finance Committee met on May 31 and made a unanimous recommendation to Mayor and Council to adopt the budget as presented including changes discussed by Mayor and Council and the Finance Committee meeting in the Joint session as follows:

- Use Self Funded Insurance Reserve to cover the additional \$19,926 for increased health insurance costs for family plans.
- Moved \$89,129 from sewer depreciation to fund 2 sewer laborers.
- Correction in the Transit Budget – Funded the entire cost of a bus for \$227,523 instead of funding only the matching requirement. Also increased revenue for the grant portion.
- Correction in the Sewer Budget – Funded the entire cost of the loader of \$250,000 instead of only budgeting debt service. Also added Loan proceeds in the same amount under revenue.

The Finance Committee also made recommendations in areas to further enhance financial stability for the City which are as follows:

- Continue annexation efforts. Look at areas for growth as well as areas that we are already servicing such as the Bay Acres/Sunnyside Fire District area and Pirtleville. It is necessary to make efforts to annex to gain population, increase state shared and federal revenue sharing, increase local sales taxes and increase assessed property valuation. In addition, consider charging for services being rendered to those outside of the city limits such as police and fire services.
- Initiate a secondary property tax bond for infrastructure needs. Bring to the voters the initiative to bond for city infrastructure including streets and the Airport.
- Enhance sales tax collections through enforcement and education. Utilize the existing contract auditor to initiate more audits, perform property rentals discovery and provide more education to businesses not filing, late filing or filing incorrectly. The Finance Committee also recommended to talk about decrease in sales tax until revenues are enhanced through sales tax enforcement, collections, and other revenue enhancements.
- Adopt a policy for community funding requests. A policy that will apply to all community funding sponsorships. Specifically, to request more information from the Douglas Community Coalition's \$12,000

request for Teen Nights. The Finance Committee requested to find out how the program would be structured, how the funds would be expended and the benefits to the community.

The FY 2022/23 budget contains initiatives inspired by Council's Vision 2032, a vision established in consensus by the Mayor and Council and the future of Douglas in the next 10 years. There are various highlights included in this budget, but we start by stating that the General Fund is balanced, and also carrying a healthy unrestricted reserve of \$4.3 million. All other funds are balanced except for the Capital Projects fund in the amount of \$2,430,769, that will use carryover ARPA funding, other capital carryover and unrestricted reserves to fund capital projects. The Self-Funded Insurance Claims Fund will utilize \$19,926 of its \$500,000 reserve to cover increases to the employee portion of family health insurance. The Water Fund will utilize \$1,256,000 from its \$3.9 million reserves to invest in rehabilitation of a well and other water equipment and infrastructure. Finally, there is a \$1 million surplus in the Golf Fund projected from the net sales of the Rancho La Perilla Apartments to go towards golf course improvements. Other Budget highlights include:

- Budgeting \$5.8 million in new grants in the General Fund for Chino Road Extension project, Downtown Revitalization Streetscape and Historic preservation for Police and/or Airport buildings.
- 2% COLA for non-minimum wage employees
- Funding \$336,000 for Year 1 of 3 of the Market Salaries Model, an effort to bring under market salaries to or around market.
- 3 new Full Time Limited Status, 1 Part Time Limited Status and additional budget for recreation and visitor center aides.
- \$4.1 million of capital projects that includes carryover, redistributed ARPA funding to meet Vision 2032 goals including \$716,600 from unrestricted fund balance.
- \$9.5 million budgeted for POE infrastructure related grants
- \$1.5 million in other water related infrastructure grants
- Approved \$545,000 for streets projects and small capital and \$890,000 in carryover for streets equipment
- The Douglas Municipal Airport will continue to seek NPIAS designation to address \$9 million in capital needs. This year will invest \$400,000 for perimeter security fencing from an ADOT Aeronautics grant.
- Transit was awarded the 2-year 5311 operating grant and will seek other funding from private foundation grants and other federal grants to meet other funding needs, not requiring a General Fund subsidy.
- Housing will utilize reserves for operating needs as it seeks to transition operations to the County. Consolidation of Housing with the County is being considered as the department is expecting retirement of 2 of 3 staff members. The other staff member has already promoted to another city position.
- Recommending funding of \$20,750 for outside community funding requests that include funding the Wall of Faces project, senior citizens parties, Fiestas Patrias celebration and the Meals on Wheels program.

Staff also recommends adding \$73,494 to the capital projects fund as carryover for 4 police unit upfits that will not be completed this fiscal year and will need to be carried over for next year.

DISCUSSION:

Staff recommends approval of the FY 2022-2023 budget as presented. The budget schedules required by the Arizona Auditor General's office will be published in the newspaper prior to the final adoption as prescribed by state law.

FISCAL IMPACT:

The FY 2022/2023 Operating Budget establishes the projected revenues and expenditures for the City of Douglas.

Fiscal Year: 2022/2023

Amount Requested:

Budgeted: Y / N

Account (s):

“...I move that the Mayor and Council approve Resolution No. 22-1506.”