

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. 23-1551**, 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 2023-2024; **ADOPTING a TENTATIVE 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 City Manager's Recommended Budget must be approved in accordance with ARS (Arizona Revised Statute) 42-17101 which sets the ceiling in spending.

BACKGROUND:

Staff provided a presentation of the proposed FY 2023/2024 Operating Budget during the Special Joint Council and Finance Committee Meeting on May 18, 2023. The proposed consolidated expenditures for FY 2023/2024 are \$83,970,004. By adopting the tentative budget, the Mayor and Council set the ceiling in spending for the fiscal year and cannot be increased thereafter. At the final budget adoption, scheduled for July 12, 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 06/05/23 and made a unanimous recommendation to Mayor and Council to adopt the budget as presented including changes discussed during the Joint session by Mayor and Council and the Finance Committee as follows:

- Use Self-Funded Insurance Reserve to cover the additional \$8,500 for increased health insurance costs for family plans.
- Include 2% COLA (Cost of Living Adjustment) for all non-minimum wage employees and a one-time \$1,000 bonus for each employee funded from the reserves (prorated based on the number 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.

A budget philosophy of Sustainability, Efficiency, and Alignment was once again used this year, with an added lens of long-term growth, to prioritize needs and outline core strategies. The City Manager's workplan continues to be defined in a large extent to the Mayor and Council's Policy Priorities under Douglas Vision 2032, which includes Infrastructure; Downtown Revitalization; Managing Growth & Annexations; Economy Jobs & Amenities; Community Facilities, Special Events & Tourism; and Streets and Roads. The Douglas economy continues to grow, shown by the 16% increase in sales tax over last year; and 33% above budget projections.

There are various highlights included in this budget, but we start by stating that the General Fund is balanced and carrying a cash fund balance of \$21,418,993, an increase of \$2,261,080 from last year. General government capital recommendations for this coming fiscal year total \$9.8 million in capital projects of which \$3.8 million is from carryover and another \$3.8 million is new capital. \$2.1 million in capital is contingent upon the sale of the land around the Airport.

The city received funding support for the water and sewer infrastructure with \$8.9 million from the State as well as finding success in being awarded three congressional-directed spending projects, all complementary to the new POE (Port of Entry) project. The 3 CDS (Congressionally Directed Spending) projects total \$6,025,000 that include

the Chino Road Extension, a new well for the POE and the upgrade of its SCADA (Supervisory Control and Data Acquisition) water management system.

Other Budget highlights include:

- The budget includes funding for key areas and programs to include added staffing Positions Requested, for a total of \$1,307,000 (Includes other funds).
 - 14 being recommended for approval \$814,000 (includes other funds).
 - 12 Limited Status (LS) Positions and 2 permanent positions that were unfunded in previous budgets.
 - Positions will cover areas in code enforcement, blight abatement, facilities maintenance, utility related capital improvement projects, police accreditation, golf course, and an accountant from PT to FT.
- We are budgeting a total of \$46,281,807 in Grants that includes \$687,000 in match, an increase from last year's \$20.7M. Among the key grant requests are:
 - \$15 million for commercial road resurfacing under a RAISE grant;
 - \$8.9 million from State ARPA (American Rescue Plan Act) funds for POE water/sewer;
 - Overall Congressional Directed Spending (CDS) requests for a total of \$6,025,000 along with another 5 potential CDS requests recommended by our congressional delegation.
- General fund expenditures increased by 23% or \$6,163,894 due to an increase in capital expenses, blight, and demolition program, added personnel and due to inflation impacting fuel, utilities, and overall operating material costs.
- This budget recommendation contains year two of a 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. Along with two already existing CIP (Capital Improvement Plan) crew members in Water, the team of 7 will combine to tackle water and wastewater construction projects such as new water lines, replacement of sewer/water lines. There is also \$1.9 million in grants for new/rehab of wells.
- 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: \$1,280,000 is budgeted for the new fiscal year to include \$1 million from the net sale of the apartments, \$180,000 as a subsidy for operations, and approximately \$100,000 for a Golf Superintendent position (includes salary and benefits)
- The city is budgeting \$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.
- Recommending funding of \$27,800 for outside community funding requests that include Douglas Oral History Project, Pirtleville Community Action Network (Wall of Faces), Douglas China Poblana, DARC (meals on wheels), DARC/Douglas Senior Citizens and Making Connections 4U (back to school event).

The Mayor and Council met on June 7, 2023, and agreed with all 3 recommendations made by the Finance Committee. Additionally, we included \$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.

DISCUSSION:

Staff recommends approval of the Fiscal Year 2023/2024 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 2023/2024 Operating Budget establishes the projected revenues and expenditures for the City of Douglas.

Fiscal Year: 2023/2024

Amount Requested:

Budgeted: Y / N

Account (s):

“...I MOVE THAT THE MAYOR AND COUNCIL APPROVE RESOLUTION NO. 23-1551.”