

SUBMITTED BY: Alejandro Martinez, Finance Director

MANAGEMENT TEAM REVIEW: Ana Urquijo, City Manager

FOCUS AREA: Infrastructure

**ORGANIZATIONAL
IMPROVEMENTS:** N/A

SUBJECT: **RESOLUTION NO. 24-1607**, a Resolution of the Mayor and Council of the City of Douglas, Cochise County, Arizona, **AUTHORIZING** the **PREPAYMENT** of the **PRINCIPAL** and **INTEREST** owed to **BANK of AMERICA** under an **INSTALLMENT PURCHASE AGREEMENT** dated August 15, 2008, and **AUTHORIZING** the City Manager to execute any necessary documents.

EXECUTIVE SUMMARY:

Staff seeks authorization to redeem the outstanding loan on the Call Center with Bank of America in the amount of \$1,923,089.59 from the unrestricted fund balance reserve. The Call Center currently has an annual debt service obligation of \$460,000. By paying off this loan in full, the city would eliminate this annual burden from the budget, freeing these funds for other critical infrastructure projects.

BACKGROUND

Paying off the loan offers substantial advantages regarding the future use of the Call Center facility. The existing loan agreement imposes certain restrictions on the use of the Call Center, particularly limiting activities that could generate taxable income. These restrictions are in place to maintain the tax-exempt status of the loan. Upon paying off the loan, these restrictions will no longer apply. This allows the facility to be utilized for a broader range of purposes, including both taxable and tax-exempt activities. This flexibility could enable the city to attract a diverse array of tenants or uses, thereby maximizing the utility and revenue potential of the property. With the ability to engage in taxable activities, the city can explore partnerships with private enterprises or lease space to businesses that generate significant economic activity, potentially increasing municipal revenue streams. The removal of financial and operational constraints will facilitate more strategic planning for the Call Center's future. The city can adapt the use of the facility in response to evolving community needs and market conditions, ensuring that it remains a valuable asset for years to come.

The current annual debt service of \$460,000 is earmarked for the repayment of the Call Center loan. Upon paying off the loan, these funds can be repurposed to address other critical needs within our municipality. Staff will be recommending at a future meeting that the city allocate these funds towards the acquisition of an asphalt plant and the necessary equipment to support its operation. Owning our asphalt plant will significantly reduce costs associated with road maintenance and construction. We will no longer need to purchase asphalt from external suppliers, leading to substantial long-term savings. Most importantly, having direct control over asphalt production will allow the city to complete more city projects without depending on outside asphalt providers. This will streamline the project timelines, reduce delays associated with third-party suppliers, and allow for more efficient scheduling of roadwork.

In summary, authorizing the payoff of the \$1,923,089.59 (through 06/13/2024) Call Center loan presents an opportunity to enhance the financial flexibility and operational efficiency of our municipality. By removing existing restrictions, the city can optimize the use of the facility for a variety of activities, both taxable and tax-exempt, thus maximizing its potential value.

DISCUSSION:

Staff recommend approval.

FISCAL IMPACT:

Frees up \$460,000 annual debt service obligation.

Fiscal Year: 2023/2024

Amount Requested:

Budgeted: Y / N

Account (s):

“...I MOVE THAT THE MAYOR AND COUNCIL APPROVE RESOLUTION NO. 24-1607.”