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**MINUTES
FINANCE COMMITTEE MEETING
CITY OF DOUGLAS
COUNCIL CHAMBERS
425 TENTH STREET
DOUGLAS, AZ 85607**

WEDNESDAY, JANUARY 4, 2017

5:30 PM

1. CALL TO ORDER/ROLL CALL

Meeting was called to order at 5:34 p.m.

Members Present:

Chairperson, Mr. Ken Nelson
Member, Mr. Michael Gutierrez
Member, Mr. Mike Nava
Member, Ms. Araceli Quiñonez

Members Not Present:

Member, Mr. Alan Manquero
Liaison, Mr. Fernando Betancourt

Also Present:

Interim City Manager, Ms. Brenda Aguilar
Finance Director/City Treasurer, Mr. Luis Pedroza

Not Present:

Account Clerk III, Ms. Mari Daniel

**2. PERSONS WISHING TO ADDRESS THE COMMITTEE IN WRITING OR
VERBALLY ON ANY ITEM NOT ON THE AGENDA**

None

3. APPROVAL OF MINUTES FOR NOVEMBER 10, 2016

Mr. Mike Nava made a correction on line 147 to change the word "now" to "know". Also in line 154, he asked for an explanation on the word "delta" and commented that in previous minutes there was a correction done in reference to this word but could not remember what the correction was. He also asked what the meaning of this word is.

46 Mr. Luis Pedroza explained “delta” means change and answered yes there was a
47 correction in previous minutes but in this case it is the correct way of using it.
48

49 Mr. Nava also pointed out on lines 186-191, the City is in a decreasing condition in
50 so far as revenues are concerned and it will cause a lot of serious thinking. Also in
51 that same page on lines 222-224, he asked Mr. Pedroza to explain how the two
52 ambulances were purchased.
53

54 Mr. Pedroza explained that this year the two ambulances were budgeted as follows:
55 one would be bought using capital money and the other would be leased. Both
56 ambulances were purchased and the City is now waiting to be reimbursed by the
57 leasing company for the proceeds for that one ambulance so that the debt service
58 can be paid.
59

60 Mr. Nava asked for an explanation on the figure of \$463,748 on line 230 and asked
61 what that is for.
62

63 Mr. Pedroza explained that the \$463,748 are accrued expenses that have not been
64 paid out. There was a \$58,220 transfer to the Golf Course that needs to be recorded
65 and the rest is payroll that has not been paid.
66

67 Mr. Nava explained he does not understand line 253, “Golf Course has no revenue
68 coming in....”
69

70 Mr. Pedroza explained that on the Powerpoint presentation it was meant to show
71 that there is no revenue line item on the City books anymore. It is all being collected
72 by the MPC.
73

74 Mr. Nava asked for clarification on line 271 where it says, “As Mr. Nava mentioned
75 that in the past it has been able to be maneuver by positions...” He asked if the idea
76 was to show that there are some positions in the budget that are not filled.
77

78 Mr. Pedroza answered he believes so and asked if he wants him to go back and
79 listen to the minutes recording and produce the actual correction.
80

81 Mr. Nava answered it is not necessary unless the other members feel it is needed.
82

83 Mr. Pedroza offered to correct that sentence to read “...manage its positions by
84 absorbing duties and not hiring...” instead of “...maneuver by positions by absorbing
85 duties and not hiring...”
86

87 Mr. Nava continued with line 343, “Mr. Nelson said yes because some of the items
88 are warrant by giving clarification.” He asked if there are any clarifications following.
89

90 Mr. Pedroza corrected the word “...warrant...” to say “...some of the items require
91 clarification.” And explained that Mr. Nelson was agreeing to the previous paragraph

92 where it says that Mr. Flores provide an explanation of clarification to the Port of
93 Entry.

94

95 Mr. Nava asked if Council has not yet acted on the recommendation on the reporting
96 from Administration about the Port and quarterly reporting from Mr. Ramirez.

97

98 Mr. Pedroza answered he did not think so.

99

100 Mr. Nava asked if that could be placed on the next agenda.

101

102 Mr. Ken Nelson answered that there should be notes where that was asked for,
103 requested and confirmed that it would be happening. He feels there was a Council
104 meeting where that was discussed when Mr. Ramirez was introduced to the Council.

105

106 Mr. Nava commented that it was not a reaction to the recommendation from the
107 Finance Committee.

108

109 Mr. Pedroza said it was discussed when the contract was awarded.

110

111 Ms. Brenda Aguilar explained that it was discussed in the October meeting. She also
112 explained that a report will be presented in January.

113

114 Mr. Nava continued with lines 378-381 and commented he repeats that concern on
115 line 427-430.

116

117 He corrected "...Smith..." on line 436 should be "...Mr. Jeff Smythe..."

118

119 He continued with lines 450-453 and asked how much of that has been done by the
120 City on a gratis condition.

121

122 Mr. Nelson answered that he was very sure none of that has been done. He
123 explained some are a lot more important than others.

124

125 Mr. Nava explained he was under the impression when discussed that the City
126 would do some of those things.

127

128 Mr. Nelson answered yes the City will take care of some of those items.

129

130 Mr. Nava continued with line 461, "...grater..." should be "...grader..." He continued
131 with line 471 and asked if the \$5,000 figure would be what will be charged for the
132 foot golf.

133

134 Mr. Nelson explained that was a reference to the number that is out there but it may
135 not be the number that is actually charged.

136

137 Mr. Nava continued with line 716 which emphasizes that the money will come from
138 the existing subsidy but Council decided it would be an addition.

139
140 He continued with line 787 and corrected the word "...gravel..." to be "...travel..."

141
142 Ms. Araceli Quiñonez asked for clarification on lines 296-298.

143
144 Mr. Pedroza answered he is not sure how to fix that without listening to the audio.
145 He will recommend a correction on the next meeting.

146
147 Mr. Mike Nava moved to approve minutes with corrections presented. Mr. Michael
148 Gutierrez seconded the motion. Motion passed unanimously.

149
150 **4. PRESENTATION / DISCUSSION / MPC FINANCIAL PERFORMANCE FOR FY**
151 **2016-2017**

152
153 Mr. Luis Pedroza began by explaining the Revenue and Expense report from July 1
154 to November 30, 2016. He explained that what was done was to show, as Mr. Ken
155 Nelson mentioned before, that there are two different expenditures. Both the City
156 and the MPC are making expenditures but the MPC collects all the revenue. The
157 MPC has collected \$103,644 including the \$12,000 cash distribution from the City
158 which is not attributable to the Golf revenue. Then in looking at the expenditures the
159 MPC pays the salaries and the day to day expenditures. The City pays for very
160 specific things. The City pays for the MPC insurance, contractual services: for
161 example, pest control, fire extinguisher inspections, the port-a-pot, all the utilities:
162 electricity, gas, water, sewer, sanitation, telephone, also the DOC labor which is a
163 contract that the City has, the lease/purchase of the golf carts, and also for the
164 purchase of the beer and liquor that is sold there. The MPC pays for the day to day
165 maintenance. Overall the total Golf Expenditures between both the MPC and the
166 City are \$203,540 for 5 months of activity. The total revenue is \$103,644, the City is
167 subsidizing approximately \$101,104 but the insurance payment that has to be paid
168 upfront was annualized throughout the whole year and an adjustment of \$3,806.83
169 was made so the subsidy at this point is of \$97,297.

170
171 Mr. Mike Nava asked if at this rate it will be over \$160,000.

172
173 Mr. Pedroza answered that at this rate it will be closer to \$200,000 plus.

174
175 Mr. Michael Gutierrez asked if the \$12,000 City of Douglas cash has nothing to do
176 with the subsidy.

177
178 Mr. Pedroza answered yes and no. He explained that a cash distribution was given
179 to them but it was also expensed so it took care of itself and the numbers all flow
180 through. The expense is under contractual services on line 23 on the City side.

181

182 Mr. Nava explained he has been a member of this Committee for a long time and
183 has experienced 40 years of subsidies to the Golf Course in one form or another. He
184 continued by saying that at one point the President of the Douglas Golf and Social
185 Club asked for a subsidy and commented that the green fees were the lowest in the
186 State. He asked what the green fees are.

187
188 Mr. Jeff Smythe explained that they are still the lowest in the State. He continued by
189 saying that the best rack deal is \$20 for green fee and Cart which is a buddy deal or
190 it is \$30 for a single person. He does not think there have been very many individual
191 payments that are made. A membership is \$80 per month, \$960 per year for one
192 person. The second person is 50% of that which would be \$480 more. When the
193 total gets divided by 12 months and if a person plays 20 times a month then they
194 end up paying \$4 a round of golf. It is designed to be the cheapest in the State.

195
196 Mr. Nava asked how realistic it would be to raise the green fees.

197
198 Mr. Smythe explained he had planned to raise them January 1, 2017 but he is not
199 convinced that January would be a good time so maybe in April but the greens were
200 in such bad shape that he did not want to increase at this point. If the greens fill in
201 like they appear to be doing then in April he will consider a small increase nothing
202 drastic so that at the end of the year it will be another \$20,000.

203
204 Mr. Nava commented that he understands if they don't have the product they can't
205 charge for it.

206
207 Mr. Smythe explained that the greens are filling in, which means that all the winter
208 visitors go home and tell people that the greens are really good or the greens are not
209 good. If one person tells ten people and those ten tell ten more because golfers do
210 that and their concern is critical. They put up with fairways, shabby fairways anything
211 but not bad fairways.

212
213 Mr. Michael Gutierrez asked how many members they have.

214
215 Mr. Smythe answered roughly 40. One of the things he was going to increase and it
216 may go around the question but they have a punch pass which he honored when he
217 started but then increased by a few dollars and when he got here all the numbers
218 had been manipulated to include sales tax but they were round numbers so he
219 changed that. Now the numbers are what they are plus sales tax which is what you
220 run into in anyplace else in the world. What was being done is that the City was
221 paying the taxes for them but it was much easier for the person running the counter
222 to do that. It was less pressure that way. The punch pass is too cheap therefore
223 there are quite a few members who are right on the edge to where it is cheaper for
224 them to get a punch pass than get a membership. The punch pass needs to be
225 increased. He wanted to do that in the fall but he didn't do it. He will increase private
226 and public carts and the punch pass.

227

228 Mr. Gutierrez asked how many rounds of golf get played yearly.

229

230 Mr. Smythe answered about 6 or 7,000. The reason he is not giving a definite
231 number is because of the POS and there are 9-hole rounds and 18-hole rounds
232 mixed together.

233

234 Mr. Gutierrez asked how long Mr. Smythe has been there.

235

236 Mr. Smythe answered he has been there for a year and a half.

237

238 Mr. Gutierrez asked if he has seen the numbers go up or down.

239

240 Mr. Smythe answered that currently they are \$11,000 above the year before as of
241 December 30th.

242

243 Mr. Gutierrez commented that those numbers are income but asked about the
244 number of rounds.

245

246 Mr. Smythe answered it is up a little. He explained that to increase to 6,500 those
247 500 are a lot and it's probably about that number.

248

249 He asked if on the numbers given to the members if the RV Park numbers included
250 or excluded the Hidden Treasures.

251

252 Mr. Pedroza explained that it excluded those numbers and adds 20%.

253

254 Mr. Nava asked if the 20% yields \$1,206.95 then that is not much from an RV Park
255 is it.

256

257 Mr. Smythe explained that is from the other RV Park during the 5 months.

258

259 Mr. Nava commented that he understands but that is still not much from an RV park.

260

261 Mr. Smythe answered yes and no. He wishes he had the other 80% but all they got
262 was the spillover during the fair and the horse races and a few Labor Day because
263 there was something else going on during Labor Day.

264

265 Mr. Ken Nelson said they also had several contractors.

266

267 Mr. Smythe explained he had like 3, 4 or 5 of the contractors during the summer.
268 The MPC had 8, 10 or 12 that were APS contractors at \$300 a month each, which is
269 great. In looking at the RV Park revenue it is stronger this year than it has been in
270 the years before because of that.

271

272 Mr. Pedroza explained what he tried to do was compile information that was talked
273 about in the prior meeting to see if there was any questions. The Golf Course is up

274 10% in its revenue through November which is the latest that he was able to input.
275 Jeff mentioned through December it is a little bit more, but throughout the years it
276 was steadily declining from \$73,071.87 in 2012 to \$55,369.72 to \$49,192.72 to
277 \$48,299.89 and it picked up a little bit to \$52,976.12. One interesting thing he
278 noticed is the correlation between the Golf Course Greens revenue and the RV
279 Park. It is very much in tune and almost the same figures when looking at how much
280 revenue was received in greens fees and RV Park fees. He also decided to separate
281 the bar and restaurant because some years it was being operated and other years it
282 was not. But it is sort of the same picture since 2012, it started going down and in
283 2016 it went up 16% or \$5,337.99. One thing he noticed was that alcohol sales went
284 down but the restaurant went up compared to the prior year. Another request was
285 how much was subsidized to the Golf Course. He explained that for 2016 it was
286 \$183,727.70, 2015 was \$127,619.74, 2014 was \$174,648.81, 2013 was
287 \$278,406.27, 2012 was \$297,741.09 and 2011 was \$377,778.24. Even though
288 revenue was higher, the subsidy was also higher during the 2012 year. Another
289 question he received was how the MPC does with the bank and the bills. He put the
290 average bank balance for each month and as the members can see they keep very
291 little money in the bank. It is just enough to pay bills. There is not much flexibility
292 there.

293
294 Mr. Nava commented that with the 5-year subsidy history there is so much money
295 going to one activity and yet the Golf Course and the facilities out there are nowhere
296 close to what they would like them to be. He also had a question about line 33 on
297 the first page given and asked what penalty is.

298
299 Mr. Pedroza is not sure because that came from the MPC books. It could be a
300 penalty for late filing for not paying something on time. He is not sure but will need to
301 ask Larry Moss about that.

302
303 Mr. Gutierrez asked if there is a reason why the public cart rental is so low compared
304 to other years that had similar activity.

305
306 Mr. Smythe answered that the biggest problem is the point of sale system and the
307 people operating the point of sale system. And if they look at all the items in the
308 revenue stack in order to get green free revenue tournament fees have to be added;
309 punch pass, green fees, cart fees, add all those then subtract from that number the
310 number of people who walk and subtract the cart portion of the gross revenue to get
311 real green fees. The system is terrible. He said he doesn't want to put words in Luis'
312 mouth but he feels he gave up on the system.

313
314 Mr. Pedroza explained he did not give up on the system but one of the things that he
315 did was to match up the revenue showing on the POS system and the bank and it
316 matches. It is accurate.

317
318 Mr. Smythe explained that a person will take the \$40.00 which should be \$30 for the
319 green fees and \$10 for the cart and instead of ringing it up separately it gets rung up

320 together under green fees then someone else will ring it up to cart fees. Then the
321 POS system has this button that says net adjustment and he has no idea what that
322 is for. He explained that whether Luis gave up or not he did. He tried pricing other
323 systems which vary from \$600 to \$1,200. This one cost \$7,000 for the software just
324 a few years ago. He explained the only reason why it's being used is because it's
325 still there. Nobody knows how to use it or reprogram it but the totals are right so they
326 continue to use it. He explained that he and other people that are very good with
327 computers spent a lot of hours looking through the manual to try to figure it out until
328 they gave up.

329
330 Mr. Pedroza continued by explaining that he also provided the members paperwork
331 to show how much and where the subsidy is over which is something that Mr.
332 Smythe asked about.

333
334 Mr. Smythe commented that he was shocked to know that they are over by \$17,000
335 on the subsidy.

336
337 Mr. Pedroza answered it is \$21,000 with the adjustment. He explained that the
338 subsidy was not just \$165,000. Staff budgeted \$6,645 in DOC labor, \$670 for
339 telephone, \$2,060 for the Fire Extinguisher inspections, \$882 for the port-a-pot. So
340 they put those figures together and the more obvious difference was the \$12,000
341 that was provided that was not budgeted, the second one was the utilities. It is about
342 \$6,000 over on the utilities. It could be a seasonal thing where more electrical is
343 used during these 5 months of the year but it is over \$6,000 when it is compared to
344 the budget at 5 months.

345
346 Mr. Smythe asked how much of that is RV utilities.

347
348 Mr. Pedroza answered that \$2,400 is RV Utilities.

349
350 Mr. Smythe commented that the \$2,400 is reasonable and not necessarily an
351 overage because of the increase in RV use.

352
353 Mr. Pedroza explained that is correct. This is just an overage compared to a
354 budgeted amount and obviously if that generates more revenue then that is a good
355 thing. This just shows where the City is putting in more money and why.

356
357 Mr. Pedroza continued by explaining that the other one very similar to what he
358 explained is the beverage side is up by \$2,300.

359
360 Mr. Pedroza continued by explaining that the last item that is higher is the insurance.
361 It is higher but it needed to be annualized.

362
363 Mr. Ken Nelson corrected by saying that according to the records the green fees are
364 up considerably.

365

366 Mr. Smythe said yes they are even if they are figured the way he explained earlier
367 they are still up a little.

368
369 Mr. Pedroza continued by explaining the list of Capital Projects that the City
370 allocated funding for. He explained that the first seven projects are projects that
371 were carried over from the previous year. The total amount available for capital
372 projects was \$650,000. This list shows how Mayor and Council appropriated those
373 funds. He explained that this is for their information only to show where the money is
374 being allocated for capital projects and to show that this is where the money that is
375 requested for the Golf Course capital projects is being allocated.

376
377 Mr. Nava asked if Mayor and Council can decide that they don't want to do one item
378 and do something else.

379
380 Mr. Pedroza answered yes that is correct and explained that is the purpose of this
381 list.

382
383 Mr. Nelson explained that some of the items he was thinking of using are from the
384 Aquatics. If it is prioritized correctly some of those items are very expensive and he
385 does not know if they are more important than what they need at the Golf Course.

386
387 Mr. Nava explained that his perception of the Golf Course and the subsidy is
388 realizing that the role of the City Charter Finance Committee is to provide the Mayor
389 and Council with financial recommendations in the best interest of the City and its
390 residents given these facts:

391 The amount of city tax payer money being provided to the Douglas Municipal Golf
392 Course and related enterprises as yearly subsidies has no realistic future end in
393 sight.

394 That the City and its tax payers have provided said subsidies to the Douglas
395 Municipal Golf Course for 40 years or more with one year the subsidy requested was
396 followed with the Douglas Golf and Social Club boasting that the course charged the
397 lowest green fees in the state.

398 That the recommended subsidy for this current year has grown from the original
399 Finance Committee recommendation of \$120,000 to Mayor and Council approving
400 an additional \$45,000 and recently another \$5,000 for a total so far of \$170,000 with
401 the projection that this still will not be enough to keep the Golf Course open.

402 That the Municipal Property Corporation in charge of operating the course and
403 related enterprise is now formally requesting an additional \$28,043 but with what he
404 considers some incomplete and inconsistent figures for maintenance and capital
405 needs and may actually be more than \$34,700. They promise to be the bare
406 minimum but is not and is also not the total of other desired capital improvements
407 even though these requests may be reduced in light of financial reality.

408 That the requests for additional subsidy includes either an additional \$5,000 for the
409 foot golf program or the added \$5,000 is a repeat request included as a mistake
410 because \$5,000 had already been approved by Mayor and Council.

411 That the city's infrastructure of streets is in dire need of repair and renovation and
412 with reduced State funding for this need there is less money available and residents
413 are becoming more and more critical of Mayor and Council for not maintaining our
414 streets properly.

415 That the City continues to lose its Property Tax base with the closure of more and
416 more local businesses.

417 That the City's revenue from sales tax continues to be reduced due to the
418 devaluation of the Mexican peso, a condition over which the City has no control, and
419 the closure of more and more local businesses that generate needed sales tax.

420 That there are more fundamental needs which our City is committed to providing its
421 residents but for which there is less and less money available and soon there will be
422 a direct competition between providing the Course subsidy and deciding which other
423 fundamental services will be reduced or eliminated in favor of the Golf subsidy if that
424 point has not yet already arrived.

425 That the Course serves the recreational needs of relatively few residents most of
426 whom may be in the position to pay for their own recreation without a subsidy from
427 the City. The City of Douglas can ill afford the continuing open ended program of
428 subsidizing a recreational activity enjoyed by a small number of residents and
429 visitors especially when an excellent 18-hole regulation length public golf course is
430 available for their play within a short distance of our city; a course which is rated in
431 the top 25 in the state of Arizona and which provides the same amenities or more in
432 a better and more sustainable ~~matter~~ manner and condition than what the Douglas
433 Municipal Golf Course has proven itself capable of providing for the past many
434 years. Therefore, the most fundamentally responsible fiscal action which the Finance
435 Committee can recommend is that the Mayor and Council adopt a definitive policy
436 decision to continue or not to continue to subsidize the Municipal Golf Course
437 beginning with the 2017-2018 fiscal year. He thinks that the Council must face the
438 situation that they have and make a decision.

439
440 Mr. Gutierrez commented that the statement just made warrants a little bit more
441 discussion. He agrees with some of the points made. It seems like things have been
442 changed a little bit and asked Mr. Nava if he agrees with that.

443
444 Mr. Nava answered he thinks the situation is much more realistically appraised and
445 because of that there are positive movements but he doesn't think they are enough.

446
447 Mr. Gutierrez said not enough and not going to happen quick enough to make a
448 difference.

449
450 Mr. Nelson referenced the course which is 30 some miles away and commented that
451 is not a feasible solution for most people to just hop in the car and drive over there.
452 He said he has some of the same issues and concerns. There is an Aquatic Center
453 that is being subsidized \$200,000 a year as well and he doesn't know how much
454 usage it gets either.

455
456 Mr. Nava commented he would say a lot more than the Golf Course.

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Mr. Smythe asked if they know and can they know.

Mr. Nava answered that for one the School District uses it.

Mr. Nelson answered that the School District uses the Golf Course as well.

Mr. Nava asked how much they pay to use the Golf Course.

Mr. Smythe answered zero.

Mr. Gutierrez commented that the Golf Course cannot be compared with any other recreational facility that the City of Douglas operates. He asked what the overall amount of money that is spent on parks, Aquatic Center, the Golf Course is and how does it relate to those activities because he would argue too that a park that is being maintained may not get as much usage. Having the Golf Course is a great benefit to the City but he also agrees that the streets are much more important and maybe look at recreation as a whole versus streets and how the Golf Course compares to those other facilities that are being maintained before it is just closed down.

Mr. Nava commented that he would take some exception in that the parks and Aquatic Center are open and very available to the general public and the Golf Course is a unique institution and is not nearly as open. He thinks the City has a fundamental responsibility to provide parks, green areas. It would be nice if the Golf Course would be self-sufficient. Yes he agrees that it is an asset in so far as to what the community can offer but if the cost is too much then he would say it is at the point where the City Council has to make a decision.

Mr. Juan Pablo Flores asked Mr. Nava if the statement that he read today is basically saying that the Council needs to make a policy decision which could be a range of things. He is not necessarily saying for them to keep it open or to close it. He asked if he is talking about a range of options which may involve the MPC, may involve the City, may involve some partial adjustments or is he looking at open or close.

Mr. Nava answered he is looking more at the latter.

Mr. Flores asked open or close that is it.

Mr. Nelson commented he understood it as meaning open or close.

Mr. Smythe said he believes the words used were looking at an endless subsidy or close it with the words being paraphrased.

Ms. Aracely Quiñonez commented that she agrees that they should set a cap and not be able to just give more and give more because it is being brought to the table

503 that they need more. She continued by saying that she has not been there for a year
504 and it has already gone up from the year before. Her guess is that it will continue to
505 go up and she feels that is where Mr. Nava is getting to that it is not flattening out and
506 they keep coming back every year and the outcome will be that the City will continue
507 to help to see where it goes.

508
509 Mr. Nelson made a comment about when the subsidy was down and now it is back
510 up. He said when it was \$124,000 nothing was being done and it was being run
511 down to the ground.

512
513 Ms. Quiñonez answered she understands but maybe that is where the decision
514 needs to be made as to saying this is what it is and this is what it is not.

515
516 Mr. Gutierrez asked what has changed from the previous meeting to being for the
517 foot golf and funding it to and what has changed.

518
519 Mr. Nava answered that he was for using the current subsidy not to increase the
520 subsidy. He was certainly willing to make the recommendation to increase the
521 current revenue source but as he reinforced not an additional amount because Mr.
522 Nelson had already pushed through the Council another \$45,000 beyond what the
523 Committee had recommended before.

524
525 Mr. Nelson said that was based on the original recommendation. There were some
526 numbers that were originally left out and if they had seen them then the original
527 \$120,000 would not have been brought to the Finance Committee.

528
529 Mr. Gutierrez addressed Mr. Smythe and said it is his understanding that he has
530 worked in this field a very long time and he just started here in Douglas. He asked
531 him what future he sees for the Course here and what it would take to really get the
532 subsidy to a manageable position.

533
534 Mr. Smythe answered that Mr. Nelson, Ms. Aguilar, Mr. Pedroza and himself had a
535 meeting recently and he was asked what was done with the \$12,000. He explained
536 to them that the Golf Course had never made a payroll and since there was no
537 revenue in November and December it was used to pay payroll. Now it is making
538 enough to make payroll. During that meeting 2 things happened and he asked if the
539 subsidy could be lowered to \$100,000 if they would be happy. Ms. Aguilar's answer
540 was no. He explained that it is not ever not going to have a subsidy. A Golf Course
541 will never be able to be maintained in the city of Douglas without a subsidy with
542 15,000 people. He asked if they remember all those businesses that they just talked
543 about closing and asked why they closed. There is not enough people, there is a
544 terrible economy. He continued by saying that Douglas is at the end of the road and
545 it just sits here static. He said that nobody else has had the courage to ask if they
546 want a Golf Course or not. If they do then they have to join every other municipal
547 golf course in the United States and subsidize it. There are none that are not
548 subsidized. The golf business is terrible. The biggest golf retailer in the world

549 declared chapter 11 and chapter 7 less than 30 days later, Golfsmith is out of
550 business. Nike got out of the golf business. Golf is down, it is not in trouble, it is just
551 not growing. If they want a golf course they will subsidize it, the question is how
552 much. He was shocked when Ms. Aguilar told him no to subsidizing \$100,000. He
553 thought \$100,000 would be the magic number. He continued by saying that in
554 reference to part of what was said. It was said that without the subsidy increasing
555 that the golf course would have to close but that is not true. What would happen is
556 that less quality product will be delivered.

557
558 Mr. Nava said that it would cause a spiral downward.
559

560 Mr. Smythe answered that it cannot go a whole lot lower. No matter what, \$200,000
561 will be generated. If they look at the numbers from last year and the trend this year
562 in the current six months, \$200,000 will be generated. The problem is that to do what
563 they have been trying to do will cost \$400,000. And to get to \$100,000 they need to
564 back off somewhere between \$80,000 to \$100,000 in costs. He has started on that
565 path. The payroll is the lowest it has ever been and it was done on purpose. If they
566 want a golf course then they have to decide what kind of golf course they want.
567

568 Mr. Nava said that Mr. Smythe's efforts are admirable but he still thinks that the
569 bottom line is to be responsible in relation to this issue that the Finance Committee
570 should recommend that the Council should make a definitive decision whether to
571 continue or not.
572

573 Mr. Gutierrez asked from the people who are there golfing how many of them are
574 staying at the RV Park. He also asked how the golf course and the RV park interact.
575 If the golf course is closed will the RV park dry up.
576

577 Mr. Smythe answered not completely but mostly.
578

579 Mr. Gutierrez asked how many people who golf are staying in the RV park.
580

581 Mr. Smythe said that in defense of the RV park if there is nobody there than it
582 doesn't cost anything.
583

584 Mr. Gutierrez commented that when people stay at the RV park then they spend
585 money in Douglas and if it is closed then they won't come and spend money in
586 Douglas.
587

588 Mr. Nelson said that all the members of the Council and all the members of the
589 Finance Committee should go out to the golf course on Wednesday morning when
590 the ladies are golfing, go out on Saturday and Sunday when there are 60 players out
591 there, go out there on tournaments when there are anywhere from 60 to 120 players
592 raising money for good causes, go to the RV park when there are people from out of
593 state coming just to Douglas to stay at that RV park in March for no other reason but
594 to come here and spend their money and spend their time and golf before you sit

595 here and say open or close. He really thinks that the Members need to go out to the
596 golf course and see for themselves how much it actually does get used.

597
598 Mr. Gutierrez commented that he can definitely see putting a cap on the subsidy to
599 where they know they have to stay under that and not be adding every time they
600 need something but to close it is a bad idea.

601
602 Mr. Pedroza explained that the hard part with that is that things break at different
603 intervals so maybe a cap on operations cost and maybe the capital reserve. Capital
604 Reserve is the costliest thing that everything is being deferred and addressing what
605 they can with what they can but the capital cost for a golf course doesn't go away if
606 they want to keep attracting those golfers.

607
608 Mr. Nelson explained that some of the capital expenses like the 40 – 50 year old
609 sprinklers are at the condition now where the sprinkler heads and valves are no
610 good and it has taken years for them to get to where they are at because there has
611 been no investment back into the golf course.

612
613 Mr. Smythe commented that he wanted to address the question to the Members
614 about whether they want a golf course or not. That is what needs to be established
615 first. The other thing he wanted to bring up is that he heard a couple months before
616 that Mr. Flores said the City needs to sell the golf course and asked him if that is
617 correct.

618
619 Mr. Flores answered that is not correct and that, one, his goal has been to reduce
620 the subsidy as low as possible and, two to get the golf course spruced up and
621 sufficiently good looking enough to sell it. That was one of the goals that had been
622 talked about before. He didn't specifically go out and said to sell it but it has been
623 part of the plan.

624
625 Mr. Smythe continued by saying that to get it spruced up and prettied up then does
626 that include reducing the subsidy enough to where it would be acceptable.

627
628 Mr. Flores explained that he is talking in terms of what Mayor and Council would like
629 to hear because it is not up to him, Ms. Aguilar, or Mr. Pedroza but as Mr. Nava has
630 brought up there are concerns because the numbers are troublesome and Mayor
631 and Council would jump at the opportunity if someone told them that they won't
632 spend more than an x amount of dollars but right now that is not possible.

633
634 Ms. Brenda Aguilar explained that it is a policy decision by Mayor and Council. The
635 MPC was formed in 2015 with the idea that it would be self-sustaining within a 3 to 4
636 year time frame and as the Members can see that may not be possible because the
637 subsidy is increasing instead of decreasing and to think that number is going to be
638 reduced without reducing the services would not be a good direction to follow.

639

640 Mr. Smythe commented that the subsidy has not been increasing, it has not been
641 decreasing but it has not been increasing.

642
643 Mr. Nava said that Mr. Smythe is correct in asking if the City wants a golf course and
644 then the corollary to that is if it does want a golf course then it has to subsidize it.
645 There is no other way. He feels that is very clear, very plain. It is a policy decision
646 and he would like Mayor and Council to be faced with that before the next budget
647 year is prepared for and either include more subsidy to include capital or not include
648 it.

649
650 Mr. Flores said that just so that the Members are aware there is a clause in Mr.
651 Smythe's contract that reads that in the event of a sale there is some kind of fee
652 worked into that.

653

654 **5. PRESENTATION / DISCUSSION / RECOMMENDATION ON REQUEST FROM**
655 **MPC FOR ADDITIONAL FUNDS TO BE USED FOR CAPITAL IMPROVEMENTS**
656 **AT THE DOUGLAS MUNICIPAL GOLF COURSE**

657

658 Mr. Mike Nava made a motion that the Finance Committee recommend to the Mayor
659 and Council:

660 A. That before they consider expending any more money for any reason to subsidize
661 the Douglas Municipal Golf Course beyond the already approved \$165,000 in the
662 budget as originally adopted for fiscal year 2016-2017, a figure \$45,000 more than
663 recommended by this Committee, and the additional \$5,000 approved by Mayor and
664 Council on December 14, 2016 for the "Foot Golf" program, the Mayor and Council
665 make a definitive policy decision as to whether the City of Douglas shall continue
666 yearly to subsidize the Golf Course instead of spending the money on other City
667 needs such as repairing infrastructure, or to stop the subsidizing beginning with
668 fiscal year 2017-2018 and allow the Golf Course and its related assets to close down
669 if it is not financially self-supporting, including all capital needs;

670 B. If the decision is made to stop all subsidies to the Douglas Municipal Golf Course
671 beginning with fiscal year 2017-2018:

672 1. That the Mayor and Council pursue selling the Golf Course and its related
673 assets, and place the money into the City's General Fund to pay first for creating (a)
674 a putting green and (b) a driving range at Airport Park, then for future infrastructure
675 needs within the City of Douglas;

676 2. That the Mayor and Council pursue some sort of arrangement with Naco's
677 Turquoise Valley Golf & RV Park (which is rated 5 star and ranked #23 of 100 in
678 Arizona, better than any Tucson course) beneficial to both the City of Bisbee and the
679 City of Douglas and their residents and visitors, and which will encourage the use of
680 that Golf Course, approximately 29 miles from Douglas, by Douglas residents, Agua
681 Prieta residents and winter and other visitors to our City.

682

683 Motion dies for lack of second.

684

685 Mr. Michael Gutierrez said he agrees that Council should make a decision on
686 whether or not they want to subsidize the Golf Course. That would be an important
687 thing for them to do and then determine an amount that is reasonable to continue to
688 subsidize if they make the decision that they want to keep it.

689
690 Mr. Ken Nelson asked if he could present to the Members the improvements list to
691 be included in the motion.

692
693 Mr. Jeff Smythe began by explaining item 1 under Golf Course which is the seed,
694 fertilizer, fungicide, etc. for fall seeding is already on the ground and needs to be
695 paid which is \$7,000 and the \$5,143 is the same thing but for Winter/Spring but they
696 have only ordered \$100 of that and by April they would have ordered about \$5,000
697 worth of material. The other items don't need to be decided right away but the
698 decision will need to be made very soon. He continued with the floor covering in the
699 bar, the seating for the bar tables, a commercial freezer, and doors to separate the
700 bar from the hall and entryway. He explained that if it is going to be in business then
701 those things have to be done. The sprinklers, valves, valve boxes need to be bought
702 because there is no point in buying the seeds if there is no way to water it.

703
704 Mr. Nelson explained that the \$15,000 start up cash that was given to the MPC the
705 previous year was used to purchase the seed and fertilizer.

706
707 Mr. Smythe also reminded the members that at that time the City was carrying 100%
708 of the payroll as well and then it tapered off.

709
710 He continued by explaining that the sprinklers, valves, valve boxes only covers a
711 portion of what is needed.

712
713 Mr. Nelson explained that the most needed item would be the ones listed under Golf
714 Course because the ones for the Clubhouse/hall building can wait until Mayor and
715 Council makes a policy decision about whether they want to keep the Golf Course or
716 not.

717
718 Mr. Nava asked if the amount needed would be \$13,500 which is \$7,000 that has
719 already been spent and \$6,500 for the sprinklers.

720
721 Mr. Pedroza explained that the \$7,000 needs to be paid. Everything has been
722 ordered it just needs to be paid.

723
724 Mr. Nelson explained that they also need an additional \$5,143 to continue with the
725 seeding in case Mayor and Council decide that they do want a Golf Course.

726
727 Mr. Pedroza asked for clarification on the request. He asked if items 1 and 2 under
728 Golf Course is what they are requesting.

729
730 Mr. Smythe asked if the doors can be added to that.

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Mr. Nelson explained that the doors could wait a little since they have the partitions which help with climate control so that they don't have to heat up the big hall when they only have the crowd in the bar area.

Mr. Nava asked if a week would make a difference in waiting for Mayor and Council to make a decision on whether they will keep the Golf Course or not.

Mr. Nelson explained that the \$7,000 is needed because it is already past due and he would rather go to Council and request the 3 items discussed.

Mr. Michael Gutierrez made a motion to recommend to Mayor and Council to make a policy decision as to whether the City of Douglas shall continue to operate the Golf Course with a yearly subsidy and if yes, to fund up to \$20,143 for items:

Doors to separate bar from hall & entryway	\$1,500.00
Seed, fertilizer, herbicide, fungicide, etc for fall, winter, spring	\$12,143.00
Sprinklers, valves, valve boxes, etc	\$ 6,500.00

and that the money be taken from other Capital Improvement Projects that have not been already expended.

Ms. Araceli Quinonez seconded the motion.

Motion passed unanimously.

6. ADJOURNMENT

Mr. Mike Nava made a motion to adjourn the meeting at 7:33 p.m. Mr. Michael Gutierrez seconded the motion. Motion passed unanimously.

Respectfully submitted by:

Lorenza M. Gonzales, Accounts Payable/Payroll Specialist