

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

**TUESDAY, MAY 31, 2016**

**5:00 PM**

**1. CALL TO ORDER/ROLL CALL**

Meeting was called to order at 5:01 p.m.

**Members Present:**

Chairperson, Ms. Margaret Morales  
Member, Ms. Sandi Thomas  
Member, Mr. Mike Nava  
Member, Ms. Araceli Quiñonez  
Member, Ms. Ana Bernal

**Not Present:**

Ex-Officio, Mr. Luis Greer (Excused)

**Also Present:**

City Manager, Mr. Carlos De La Torre  
Finance Director/City Treasurer, Mr. Luis Pedroza  
Committee Secretary, Ms. Lorenza Gonzales  
Account Clerk II, Ms. Mari Daniel

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

None.

**3. DISCUSSION ON 2016 - 2017 OPERATING BUDGET FOR THE CITY OF  
DOUGLAS**

Mr. Luis Pedroza began by explaining that this meeting is for any questions the member may have in reference to the budget.

Mr. Mike Nava began by referring to Section 1 Page 1. He asked if most presumed changes were based on employee reassignments. He used as an example the 9% decrease in Administration.

Mr. Pedroza answered yes that is because of personnel reassignment. But it is really hard to tell if all other decreases are because of the same thing. Staff would have to look on line item by line item.

Ms. Sandi Thomas asked if the increase under Library is an error, from \$415,000 to \$41,000.

Mr. Pedroza explained that there is an increase of \$41,000 being budgeted for the extension of the Library for 1/3 of the year.

Mr. Nava continued with Section 1 Page 2. He doesn't understand why there are no figures for Golf Course and Lounge and asked if they are later in the packet.

Mr. Pedroza explained that they are no longer part of the City budget. They have their own MPC and they manage all their financial issues.

Mr. Nava continued with Section 2 Page 3. He asked if Investment Earnings are up all across the board.

Mr. Pedroza answered yes and staff is starting to see that climb on the CDs which have almost doubled.

Mr. Nava commented that the transfers from General Fund are down.

Mr. Pedroza agreed.

Mr. Nava asked about the 10-month actual being very low compared to the budget amount yet the same amount was budgeted for 2017 in Aquatics.

Mr. Pedroza explained that May and June are when they see the highest revenue because that is the peak usage months.

Mr. Nava continued with Section 2 Page 4. The projection is of \$10,000 in Sale Surplus Property and asked if there is something in particular that is being projected or if that is just a figure.

Mr. Pedroza answered that there is usually something in that line item like a vehicle auction or something that will be auctioned that creates revenue for that line item.

Mr. Nava commented that the number varies from year to year.

Mr. Pedroza reminded the Members that the previous year was the sale of the Douglas Apartments which were sold.

Ms. Margaret Morales asked why the Cemetery Fees amount went from \$70,000 in the 2016 budget and it's up to \$82,000 for the 10-month actual so why is the

projected only at \$75,000 for 2017, and asked if there will be another increase in the cemetery fees this year.

Mr. Pedroza explained that this line item varies significantly every year. The \$75,000 is based on previous history where that \$82,000 has been achieved in the prior 2 years but is based on something that cannot be controlled.

Mr. Carlos De La Torre explained that it is also based on family members reserving spots after someone passes away.

Mr. Pedroza explained that the increase was very conservative because there is no way of knowing how much revenue will be coming in.

Mr. Robert Uribe asked if Transit Fares is revenue coming from the people who are riding the buses.

Mr. Pedroza answered yes that is revenue from people riding the bus and that this year all Transit Revenue is being transferred to its own fund but it's not going away.

Mr. De La Torre explained that Transit was part of the General Fund. Auditors suggested that this fund be segregated into its own fund so that it is cleaner and easier to track money coming in from IGAs and Federal money.

Mr. Uribe asked if someone could explain to him what Community Training is for.

Mr. De La Torre explained that this line item is used for Fire Department office training that is either First Aid or CPR classes offered to the community by one of the Certified Instructors. The community is charged for the books, dues and subscriptions given to them for that training. That is offered to school teachers, bus drivers and other people from the community. If the City didn't provide that they would have to go out of town to take that training. Even City personnel have to take this training. Lifeguards, Recreation, Fire Department personnel are all required to take that training.

Mr. Nava continued with Section 2 Page 6. He asked if there is no advertising revenue so far and if there is any anticipated.

Mr. Pedroza answered that there has been no revenue yet.

Mr. De La Torre explained that this is a projection and the opportunity is there. One of the things the City will be doing is installing the wraps on the buses to be more visible. As of now there has been no interest by the public to do this but it doesn't mean that it can't change.

Mr. Uribe commented that he noticed in the past for 4<sup>th</sup> of July, a greater amount has been expended on Fireworks and now it is down to \$15,000. He feels this is a good

opportunity to create more revenue and would like to know why that amount has been decreasing.

Mr. De La Torre explained that for 4<sup>th</sup> of July the revenue is projected at \$500 because the fee charged to the vendors is very minimal. Most people will just take their own stuff to setup at the park and grill and have their picnic. Vendors know this and they won't participate in the setup. It has become more of an expenditure rather than a revenue opportunity for the City.

Mr. Uribe asked about the Youth Activity Revenue and why it has been at zeroes but there is a projected revenue source for the coming year.

Mr. Pedroza explained that this money comes from grants for Little League or Youth Football. This is revenue to help children register for those sports.

Mr. Uribe asked if the City is setting money aside to help these low income children.

Mr. Pedroza explained that this money is just passing through the City. The City receives these funds and passes them through to the Youth Activity group to disseminate those funds.

Mr. De La Torre explained that from a policy perspective Mayor and Council has not designated a specific amount of money to subsidize low income registration for children. A few years back there was a grant that became available and a group consisting of members of the community and city employees was established so that these funds could be disbursed to these children.

Mr. Uribe asked if the City can sponsor a specific tournament; for example, a basketball tournament where the city will charge a fee for participation. He asked if that would be an opportunity for the city to create more revenue and then signing off on liabilities.

Mr. De La Torre explained that from a policy decision the City decided that they would not compete with other leagues that were already established. The way the City helps is by insuring that the fields are available and are clean. No fees are being assessed. The City plays an active but silent roll to allow all leagues to organize themselves because once you start involving City money then all books have to be transparent. Some of those leagues were not interested in divulging where that money was coming from or where it was going. That is why the City decided to take a step back approach. If the City decides to do a league it means that every coach would have to be screened through Human Resources and they would have to pass background check and a new position would have to be created for that.

Mr. Nava continued with Section 2 Page 19 which is the Golf Course Revenue. He asked what the difference is on the line that says Public Cart Rentals and Private Cart Rentals.

Mr. Pedroza explained that is the space that they use to charge their carts.

Mr. Nava continued with Section 6 Page 1 which is Grants. He asked if there was any rationale given for the Fire Type 3 Engine.

Mr. De La Torre explained that the fire apparatus last for a long time but it is coming to a point where one of the apparatus needs to be replaced within the next few years. The Fire Chief always brings that into fruition, the need for a new Fire Truck.

Ms. Sandi Thomas asked on Section 3 Page 3, on the budget for salaries it was \$17,000, year to date is \$18,000 but only \$14,000 are being budgeted.

Mr. Pedroza explained that there is a new person that started at a lower range than the person who left and are being funded partially by the Transit Department.

Mr. De La Torre also explained that the person who left had been an employee for almost 15 years. That person had been getting a step increase every 2 years. Also the fact that positions are being merged is why the numbers are not exactly right on.

Ms. Thomas asked if it will be over the projected budget for the current year.

Ms. Rocio Garcia-Pedroza explained that the only reason that it is higher is because the person that left received a payout for the vacation and sick leave accumulated.

Mr. Nava continued with Capital Outlay, Section 7 Page 86, Capital Improvement Program. He asked what the Kiosk is for the water department.

Mr. Pedroza explained that is a Kiosk so that customers can pay their utility bills 24 hours a day, 7 days a week, and 365 days a year.

Mr. Nava asked if that is really worth \$30,000 for the convenience.

Mr. Pedroza explained that it was estimated a little on the higher end because quotes had not been received by the time the budget was processed. But it includes hardware, software, and training.

Mr. Nava commented that it seems more of an extravagance. It is a small city where people can come into City Hall during a certain amount of hours a day and be served by the good people at the Water Department.

Mr. De La Torre explained that one of the things that was looked at is that the whole intent is since some positions are being merged maybe instead of only being attending and receiving payment there may be other functions that can be done within the Finance Department and alleviate the need to have that window open every day of the month and only receive payments on specific heavy days and the

remaining days have customers take advantage of that kiosk and still have a way to provide the service but not physically manning a specific window to receive those payments. The other thing that was looked as is how to take advantage of using that kiosk for other city payments.

Mr. Uribe commented that what was talked about was moving into the 21<sup>st</sup> Century and using the internet. But for the City, \$30,000 seems a little bit excessive. The fundamental of the one-on-one is being lost and the majority of the people that pay here are elderly folks. For example, when they go pay the gas, they would rather go pay at Food City and pay the \$5 extra because it is too complicated. The suggestion that he thought would be beneficial to the city is to improve the website and provide options that are already there so why spend another \$30,000 when the city already has that accessibility on the website.

Ms. Thomas asked on Section 3 Page 16 if the City does not have any graffiti abatement anymore.

Mr. Pedroza explained that has been moved to General Fund Public Works Construction.

Mr. Nava continued with the funding requests and asked if anyone has objections to any of the four requests.

Ms. Morales answered that these are the requests that have been funded in the past.

Ms. Quinonez asked how an organization goes about requesting funding from the City. She asked if it is posted anywhere on how to apply, is it only certain people or certain groups that apply and how is the community notified that this money is available.

Mr. De La Torre explained that it has not been publicized. The organizations that apply are the same who have applied over the years. The funds have diminished over the years and that is one of the reasons why it is not advertised.

Mr. Pedroza explained these projects were funded through LTAF and the City was required to advertise for certain organizations but that has gone away and now it is General Fund money and that is why it is not advertised anymore.

Mr. Nava asked on General Fund Expenditures, the OASI is 7.65%, asked why the percent varies on the different departments.

Ms. Garcia-Pedroza explained that they should all be 7.65% except for Police and Fire Departments which don't pay Social Security, they only pay Medicare. But in all the others if Salaries, Temps, Limited and overtime is added it should give the 7.65%.

Mr. Nava asked on Section 3 Page 1, General Fund Administration, under Books, Dues and Subscriptions, if those vary year to year.

Mr. De La Torre explained most of those are subscription dues which are due at the end of the fiscal year so most of those may not be reflected as of year to date.

Mr. Nava asked if there has been a substantial increase in dues because the history does not support the increase projected for the new fiscal year.

Ms. Garcia-Pedroza explained that it is a request for Legal Books which have not been purchased yet.

Mr. Juan Pablo Flores explained that he has been with the city for about 8 years and initially there was a subscription where he could do his research on the computer for all sorts of legal issues. The City paid for that for about 2 years then in 2010 there was budget issues and that service was stopped. He would have to go to Bisbee to the law library to do his research. Now the same service which used to cost about \$6,000 a year has been reduced to a little under \$4,000 a year and the possibility to allow him to have this valuable tool is being looked into.

Ms. Quinonez asked if in 2016 the same amount was budgeted that is being budgeted in 2017, those books were not being bought this year.

Mr. Flores explained that it is a 3 to 4 year contract that the city will have to budget for.

Mr. Nava continued with Section 3 Page 7, Management Information Systems. Under Operating Expense, Building Maintenance, he asked if that is separate from City Hall maintenance.

Mr. De La Torre explained that this department is operating next to the Library where all the servers are kept and maintained which causes some building maintenance expenses.

Mr. Nava commented that there is quiet a difference under Salaries Expense the Limited line item and asked what is causing the spike in the expenses last year that will not repeat itself in the coming year.

Mr. Pedroza explained that there is a Technician who is currently working 30 hours who will begin working 40 hours and the other Technician will be transferred from the Limited side to the Regular side.

Mr. Nava continued with Section 3 Page 8, still under General Fund General Government and asked under Operating Expenses line 7602 what that is.

Mr. De La Torre explained that 7602 is Business District Improvement money.

Mr. Nava asked if that is what is provided to the realtors for improvements.

Mr. De La Torre answered yes.

Mr. Nava continued with Section 3 Page 13 under General Fund Parks. He asked on the Overtime Salaries why has there been an extraordinary expense this year as opposed to what has been anticipated for next year.

Mr. Pedroza explained that a lot of that is being flexed which means that the city will pay overtime one week but under pay regular salaries the following week to compensate.

Mr. Nava continued with Section 3 Page 14, General Fund Recreation, there is the same budgeted for Temporary but the current spending doesn't support that.

Mr. De La Torre explained that is because it is seasonal.

Mr. Nava asked if the amount for DOC Labor varies year to year.

Mr. De La Torre answered that it has stayed stable and there has not been that big of an increase.

Mr. Nava commented that on Section 3 Page 17 under General Fund Public Work Construction operating expense DOC Labor nothing has been spent and ask if that is why as a result the projected budget is half than what it is currently.

Mr. De La Torre explained that it may just be the way that it is being accounted for. It may be that the crew is being assigned to a CDBG project and the expense is being accounted for in CDBG in order for the City to get reimbursed for that.

Mr. Pedroza explained most of that is being charged to HURF.

Mr. Nava continued on Section 3 Page 18, General Fund Street Maintenance. Under Salaries there is a large reduction in the anticipated expense.

Mr. De La Torre explained that there is a position which has been vacant for a number of years which is not being funded. It has not been eliminated but it is not being funded at this time.

Mr. Nava continued with Section 3 Page 19, General Fund Fire. He commented the Temporary is very high and asked what the explanation is for that.

Mr. Pedroza explained that additional drivers were added due to the trips to Bisbee that need to be made.

Mr. Nava asked if these are Temporary Employees then and not Permanent Employees.

Mr. Pedroza answered that is correct.

Mr. Nava asked in general if contractual expenditures vary from year to year based upon the contract and length of time.

Mr. Pedroza answered yes and explained that a lot increases are experienced there as well.

Mr. Nava continued with Section 4 Page 2, Highway Users Revenue Fund. He commented that it is his understanding that there has been a general problem in relation to small tools and the Finance Committee a long time ago used to be concerned about the loss of small tools. He asked if that is still a problem.

Mr. De La Torre answered that he doesn't think it is as recurrent as it used to be but it is still an issue. One of the things is the moving of people to different departments is what causes those tools to be taken to a different area but it is not as recurrent as it used to be.

Mr. Pedroza explained that the other thing with that is that a lot of the small tools were budgeted in Capital but now it's not Capital unless it's \$500 or above. So as a result a lot of these small tools that are needed, they need to go into the Operating side as opposed as to the Capital side.

Mr. Nava continued with Section 4 Page 3, Transit. He asked if Transit is located at the Visitor Center and its share of Building Maintenance is \$3,000.

Mr. Pedroza answered that is correct.

Mr. Nava continued with Section 4 Page 4, Transit Bisbee. He asked why there are no salaries.

Mr. Pedroza explained that they are all Limited employees therefore are budgeted in the Limited line item.

Mr. Nava continued with Section 4 Page 6, Capital Projects Fund. He asked what the Probation Building was.

Mr. Pedroza explained that is the Probation building in front of the Post Office that was sold. A little bit of improvements were made there.

Mr. Nava continued with Section 5 Page 2, Water Office. He asked why there is a marked decrease in the Postage line item.

Mr. Pedroza explained that Postage is being disbursed between Water, Sewer, and Sanitation funds.

Mr. Nava continued with Section 5 Page 4, Water Capital Reinvestment and Sewer Capital Reinvestment. He asked if the Regular Salaries were moved and to where.

Mr. Pedroza explained those salaries were moved to the Water Field fund. He explained that if capital projects were to come up then they will be charged to the CIP fund but there are no projects expected for the next year so they should be charged to field Maintenance.

Mr. Nava continued with Section 5 Page 6, Sewer Capital Reinvestment. He asked about the Lift Station Improvements and if the expense is being carried over to the following year.

Mr. De La Torre answered that is correct the improvements have not been made and the reason for that is that a vendor has not been found who can work with the city to place the equipment that is needed up there. It is something very specific because it is in a remote location and cannot be tended to on a regular basis and most of the equipment is made to be tended to on a regular basis.

#### **4. ADJOURNMENT**

Mr. Mike Nava made a motion to adjourn at 6:07 p.m. Ms. Sandi Thomas seconded the motion. Motion passed unanimously.

Respectfully submitted by

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Lorenza M. Gonzales, Committee Secretary