

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

**TUESDAY, JUNE 21, 2016**

**7:00 AM**

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

Meeting was called to order at 7:02 a.m.

**Members Present:**

Chairperson, Mr. Ken Nelson  
Member, Ms. Sandi Thomas  
Member, Mr. Mike Nava  
Member, Ms. Araceli Quiñonez  
Member, Ms. Ana Bernal  
Ex-Officio, Mr. Fernando Betancourt

**Also Present:**

Interim City Manager, Ms. Brenda Aguilar  
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**

Mr. Jeff Smythe began by explaining that he runs the Golf Course under the direction of the Board of Directors of the Municipal Property Corporation who has an agreement with the City. He explained they don't own anything except the inventory. They receive a subsidy from the City. The subsidy is what he would like to talk to the members about. There are 2 primary things that he would like to talk to them about. He explained that Ken Nelson is the President of the Corporation and is Chairman of the Board. Mr. Nelson has made him aware that the members have looked at the numbers and question how much money is being spent. He has also been made aware that members and others have contemplated selling it. The Golf Course is and has been losing around \$150,000 a year, if it is given away to a knowledgeable buyer with the understanding that it is losing that money and part of the agreement is that they would have to keep the Golf Course in operation as it is and has been he

doubts they will be able to find somebody to give it to. He continued by saying that them as the Finance Committee will recommend many things to Mayor and Council and if they recommend a sale they need to investigate the sale of the Golf Course.

Mr. Ken Nelson commented that the original goal when the MPC was formed was to make the Golf Course sustainable over a period of time. It cannot be fixed in one year. They have made some progress and next year will be a better year. The original goal was to get the subsidy down to 0. If as a City that is not the goal anymore then the MPC needs to be notified.

Mr. Mike Nava commented that he is right in noting that it is a policy decision and Council needs to do something in one way or another in reaffirming or to try to sell the course again.

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

Mr. Mike Nava began by referring to the Resolution that is the Separation Agreement between the former City Manager and the City. He asked if \$50,000 is the severance pay. He was told that amount was \$70,000 and asked if that includes Vacation and Sick Leave Payout amounts.

Ms. Brenda Aguilar answered that is correct.

Mr. Nava asked if that was for a total of \$120,000.

Mr. Juan Pablo Flores answered that \$50,000 is the Separation Compensation and the accrued Vacation was \$14,000 and accrued Sick Leave was \$7,000, the ICMA Retirement contribution was about \$1,700 and the COBRA contribution that was provided to Mr. De La Torre was \$3,500 so when all that is added up it totals about \$80,000. The total is under \$80,000, closer to \$75,000.

Mr. Nava commented that it seems that the budget will be in the black and that if this is correct then it seems to him to not complicate next year's budget it would be better to pay that amount out of the current budget if that is legally possible even if it would reduce the reserve amount. He also asked how much money has been budgeted for a new City Manager during the current fiscal year.

Ms. Rocio Garcia-Pedroza answered that no money is budgeted this fiscal year because the budget is coming close to the end of the fiscal year and between Mr. De La Torre's wages and his separation pay there is nothing left this fiscal year.

Mr. Nava recommended that the Finance Committee recommend to City Council that the Interim City Manager be paid an additional amount because of the additional responsibilities. He would like to see it figured on a Per Diem basis being it is not known how long it will take to fill the position. It was noted that the previous search

took four months to accomplish. So there would be that amount to be taken from next year's budget. Also that the new City Manager be prorated for the number of months that he or she will be in the position for next fiscal year.

He also asked what the plan for the City Engineer is. If the idea is to contract out as the need is or is the idea to advertise for the position.

Ms. Aguilar answered that the intent is to fill the position and the salary amount is included in next year's budget.

Mr. Nava asked if the anticipated dollar amount is included in the rough draft or if it will be added.

Mr. Luis Pedroza answered that it will be added and it is part of the discussion of the proposal.

Mr. Nava asked for the status on the Public Works Director.

Ms. Aguilar answered currently there is no Public Works Director/City Engineer so the previous City Manager had taken on those additional duties so the City is in a real need at this point to move on with the recruitment process because that position needs to be filled.

Mr. Nava asked if the idea is to fill that as a combined position, Public Works Director who functions as a City Engineer.

Ms. Aguilar answered yes that it is part of the job description, Public Works Director/City Engineer.

Mr. Nava said they are talking about four factors, the Interim City Manager, the new City Manager and the Public Works Director/City Engineer. There is a dollar amount budgeted for City Manager but his question is how much more is needed for what he stated.

Mr. Pedroza answered that what is needed is \$57,000 to fill the City Manager position salary that was being funded by the Utilities Department because 35% of the City Manager's salary was being funded as Public Works Director/City Engineer. Now that that function will no longer be in place the \$57,000 needs to be funded out of General Fund to pay for the City Manager.

Mr. Nava asked if that includes the Interim City Manager or the Public Works Director/City Engineer.

Mr. Pedroza answered that does not include the Interim City Manager and the Public Works Director/City Engineer is another proposal that he would like to bring up. That

is \$10,311 that the General Fund pays, the rest is funded out of the Utilities Department.

Mr. Nava asked if the Utilities is in good shape to absorb that.

Mr. Pedroza answered the Utilities funds are in good shape but the impact they are trying to finance is in the General Fund.

Mr. Nava continued by saying that in the new budget there are 2 proposed expense items that he would question and feels can be done without at least for another year. One of them is the Kiosk which is \$30,000 and the other is the improvement on the website which is \$20,000. That will produce \$30,000 but the proposal is to take the \$20,000 for the improvement of the website from the purchase of the Chase building. And of course the purchase of the Chase building is a Council decision but in that if the \$20,000 is taken for the website improvement and the Chase building is approved for purchase that means we are \$20,000 more in debt. His suggestion is that the website improvement be postponed so that the City won't be in debt. He feels that is a necessary goal.

He continued by asking if there is any change on salaries for appointed employees except for the Interim City Manager.

Ms. Aguilar answered there are no changes as this time.

Ms. Sandi Thomas commented that she is not convinced that the City needs to purchase that Chase building at the moment.

Mr. Pedroza commented that on direction from the Interim City Manager, Mayor and some of the Council it seems that they may feel the same way. That is also one of the decisions that staff wants to bring forward to the Members as to making a recommendation on the purchase of that building or not. There is really nothing that has bound the City at this point. There is an offer on the table but nothing that will force the City to purchase it.

He continued by explaining the proposals that staff wants to discuss with the Members. Staff knew that there were new expenses that needed to be addressed. The City Manager coming over from the Utilities Fund to the General Fund is close to \$58,000. The Public Works Director/City Engineer is \$10,311 and the Elections based on the Charter are \$30,000 for a total of \$98,000 that Staff needed to come up with from the budget. The second half is a way that had been initially discussed to mitigate those expenses. The first recommendation was to reduce the COLA for half of the year and will save \$40,000. Staff found out through the League of Cities that the City will not have to pay a fee to accommodate us when we go into the state sales tax program. That was a reduction in cost of \$13,300. The City Manager recruitment will take some time as the Interim City Manager mentioned of 3 to 4 months so it could be a savings of about \$41,000. There was a small difference left

of \$3,397 which was taken out of the Demolition Program, that money was not used during the current year. With that, those expenses were met. However, in speaking with the Interim City Manager, the recommendation is that a 2% COLA is done and to postpone the increase in step to reach F and G sooner which is a \$98,000 impact and substituting an additional 1% of COLA over the proposal in step for 3 quarter's of the year. The other proposal that Council is seeking to do is hiring a Community Development Director and the way that it is being proposed to pay for that is by not purchasing the Chase building therefore eliminating \$40,000 that is already in the books and eliminating the debt that was needed to incur to purchase that building which was \$25,000. By doing the 2% COLA and eliminating the step it leaves \$18,000 in savings. With those 3 components there would be close to \$85,000 in savings that could potentially serve for the Community Development/Economic Development Director position. The other proposal which is something that Council agrees on is the kiosk and they agree that that is not something that they want to do at this time. The reason that only 3 quarters of the year is being proposed on the COLA to become effective the 1<sup>st</sup> pay period in October is to allow an additional saving of about \$40,000 that can allow to mitigate the cost of the Director position to include all the ERE's and possibly to pay for the increase to the Interim City Manager as well. Those are the direction proposals in place that are new from this budget for the Member's consideration and discussion.

Mr. Nelson asked if the pay increases for the reorganization are still being proposed.

Mr. Pedroza answered yes that, as mentioned, staff is still wanting to reclassify the Housing position. There will be a fiscal impact but it will be covered by Section 8 funds. The other position that is being looked at to reclassify is the Executive Assistant for Administration to be reclassified as a Deputy City Clerk/Executive Assistant to cover the different areas for the City Clerk, City Manager and Mayor.

Ms. Garcia-Pedroza explained that most positions being reclassified are either Enterprise Funds or Special Revenue. They are not affecting General Fund, in fact, General Fund is seeing a savings because one position is being eliminated. If the reorganization is not done then it will cost about \$40,000.

Mr. Nelson continued by asking what Youth Activity Revenue is.

Mr. Pedroza explained that Youth Activity Revenue is a wash of having the potential to receive any grant funding or any grants for the Youth Activity Program.

Mr. Nelson also asked about the Capital Projects on the Capital Outlay. On Aquatics he sees an automation system for the main pool, he asked what that is and why do they need it.

Ms. Garcia-Pedroza explained that is for the chemicals to be dispensed automatically as needed.

Mr. Nelson asked if that would be needed for the cleanliness of the pool why would it not be funded. Artificial grass for the play area is recommended for \$12,000 and shade over the splash area for \$15,000. He doesn't understand why those are so necessary when Recreation has lost money. If this automation system will help the cleanliness of the pool he doesn't understand why it would not be recommended. Also the pump upgrade for \$20,000, he asked if that is an upgrade for a more efficient pump that will save money. He also asked why the money being budgeted for the artificial grass and shade cannot be used to re-plaster the baby pool at the 8<sup>th</sup> Street Park.

Mr. Pedroza explained that the automation system and the pump are being done by a person at the moment and it seems to be something that can be done without. It also means investing in a very old system that gives issues every year. The question is whether to make an investment on an old system to fix it and automating the process. He wondered if the process can be automated and not have a person there doing the process. The 8<sup>th</sup> Street Pool has been discussed in the past to see if that is a viable asset for the City because every year it costs money to get it back and running. The proposal is to make some of the fixes but not to make it into a brand new asset that will be working steadily.

Mr. Nelson commented that a decision will need to be made whether the pool is needed or not. If the City is going to have something then it needs to be working and not be a burden.

Mr. Nava asked if the Aquatic Center could handle the services that the 8<sup>th</sup> Street Pool provides to the City.

Mr. Pedroza explained that one of the reasons why it's only open part of the year is because it's not viable to maintain the entire year and have resources out there when it's not going to be used to its max capacity.

Mr. Nava asked if whatever is being spent to provide the service at the 8<sup>th</sup> Street Pool if those services could be provided at the Aquatic Center. He asked if it would make sense to only have one facility and permanently close the other.

Mr. Pedroza answered that is certainly an option, he feels that the 8<sup>th</sup> Street Pool has its place with some customers during the summer but if dollars are being spent and the benefit is not being reached then the question will need to be asked about whether to proceed with something that is not doing what it is supposed to do.

Mr. Nelson asked if the artificial grass and shading over the whale tail is at the Aquatic Center.

Mr. Pedroza answered yes and the intent is to make it more attractive and getting more activities, more parties, and more of the folks being diverted that way.

Mr. Nava commented that he feels Mayor and Council will need to make a decision about the facility.

Mr. Nelson agreed and commented that purchasing the Chase building is not in the best interest being that there is \$100,000 budgeted for furniture; also the removal of the building at the airport which is another \$28,400. He understands they are old buildings but they don't look too bad. There is a Master Plan currently going for the Airport.

Mr. Pedroza explained that it's not a matter of them looking bad but that it doesn't help the view of the Airport. When you drive by you don't see an Airport you see the back of 3 buildings and a trailer.

Mr. Nava asked if that money is not spent on these things if it can be spent on General Fund Maintenance and Operations.

Mr. Pedroza answered no that money is restricted for Capital Projects.

Mr. Nava asked if it is not City money if it is Grant money.

Mr. Pedroza explained that is money from the 3/10<sup>th</sup> of a cent that is restricted for Capital.

Mr. Nava asked if Mayor and Council can change that.

Mr. Pedroza explained they can change that to another Capital Project only.

Mr. Nelson also recommended that the Club 3000 building not be purchased.

Mr. Pedroza explained that unfortunately that transaction has already taken place. At the direction from Council it was bought at an auction for \$43,000.

Mr. Nelson recommended that building be sold for what it was purchased.

Mr. Pedroza explained one of the ideas for that building is to possibly complement the Call Center operation in a similar or different way. A history on the Call Center is that they have a lease with the City for 15 years, the City acquired debt for 20 years. There is a 5 year gap where the City will need to either extend the lease or in the next 8 or 9 years decide how to fund that debt service because right now that debt service is being funded by the lease payment. One of the ideas is to establish a complimentary service; either do the same thing that was done with the Call Center building and do a cafeteria or a child day care center, something that is complementary for them so they can be interested in making them stay longer but also pay for that building or maybe extend their operations. Whatever those needs may be around that time the City can be in a strategic position to offer that to them.

Mr. Nelson asked if the City has the funds to clean it up and make it look nice.

Mr. Pedroza explained that the idea is to tap the Call Center for that. To say we are going to lease you this space, go out for a loan and back it up with lease revenue and pay for it that way.

Ms. Aguilar explained that eventually it would be a policy decision from Mayor and Council. They may agree to develop it as it has been presented or eventually sell it for what it was purchased.

Mr. Uribe asked why the Club 3000 can't be used for the kids and make it into a youth center.

Mr. Pedroza explained that the question would be where to get the funding for renovations. That building requires a huge renovation cost and the reason why the Call Center was being considered is because they can certainly pay for that. Maybe instead of buying that Chase building that money can be used to renovate the building but then again Operations money will be needed so that would need to be taken into consideration.

Mr. Nelson also explained that some weight was put on the people who purchased the Y building to provide those functions as well.

Mr. Pedroza explained that the agreement is in place to make those improvements within 2 years.

Mr. Uribe asked since there is a new Mayor and Council in place if it is possible to say that they don't want the Club 3000 building anymore.

Mr. Pedroza answered that unfortunately that is not possible. The transaction has occurred and the money has been transferred. Staff is only waiting for the Deed to arrive for that building.

Mr. Nava asked in reference to the COLA and sustainability if there would be no problem in sustaining that the following year.

Mr. Pedroza answered that every year things get shuffled around and everyone gets reorganized. For the past three years staff has been reorganizing and things have been done differently in order for the City to sustain itself. The 2% COLA is viable based on the fact that he doesn't feel the City will experience a State Shared Revenue decrease like the City had this year. The reason it decreased was because of a reassessment in the population by the census bureau. The City lost 1,000 residents which caused a loss of \$185,000. The hope is that the sales tax does not go into another dive and we start climbing back up. Staff would not be making this recommendation if the future had not been thought of.

Mr. Nava feels that 2% is not enough given what the City Staff and all the employees have done and the economic situation but is constrained by the practicality of City budget.

Mr. Pedroza reminded the committee members that he agrees that 2% is not enough but 2% was also done the year before and 2% three years before. Although very slowly, he feels that the City has been moving in the right direction for employees. The step increase was also another step in that direction to help those employees to get to the F and G faster. And also to shrink the gap on the market analysis that was performed. A lot of the positions are outside of market and although it is meant to get employees to get their steps sooner it could put us in the market for a better position as well.

Ms. Aguilar commented that it is very important for her to ensure that the employees are able to maintain a certain standard of living; with the cost of goods and services increasing it is really complicated. In looking at the COLA as opposed to the Step increase, the Step increase would only impact approximately 20 employees as opposed to the Cost of Living Adjustment which is impacting 174 employees. She also commented that the employees work very hard. They are the backbone of the organization and she wants to make sure that level of support is provided every time an opportunity arises.

Mr. Nava asked about the amount of money that the employee would receive in the step increase and how it would compare to the 2% COLA.

Ms. Aguilar explained that a step increase is 5% which is a 3% difference but the applicability is only to 20 employees and is based on length of service. Not everyone has the same employment time frame so it would be applied at different times. For the betterment of the organization it is worthwhile to pay the 174 employees.

Mr. Nava asked how much money would be needed to make the step increase.

Mr. Pedroza answered it would be \$90,000.

Mr. Nava asked how much the 2% COLA would be.

Mr. Pedroza answered it would be \$98,000.

Mr. Nelson commented on the funding request from Douglas Youth Football (DYF) and informed the members that DYF will not be running the Douglas Fiestas this year. He is hoping that the City of Douglas and the Consulate will work together to provide this event. He explained it is not feasible without the carnival for them to do it because it will cost too much money and they risk not breaking even. He informed them that the funding request is no longer needed.

Mr. Mike Nava made a motion to recommend that Mayor and Council compensate the Interim City Manager on a per diem basis for the added responsibilities. Ms. Ana Bernal seconded the motion. Motion passed unanimously.

Mr. Mike Nava made a motion to eliminate the Kiosk and the website expense. Ms. Ana Bernal made a motion to amend the motion to eliminate only the Kiosk but not the website. Ms. Sandi Thomas seconded the motion. Amended motion passed unanimously.

Mr. Ken Nelson made a motion for the City not to purchase the Chase building. Ms. Sandi Thomas seconded the motion. Motion passed with a 4 to 1 vote.

Ms. Ana Bernal made a motion to proceed with the 2% COLA for 3 quarters of the year and not recommend the step change for the next fiscal year. Ms. Sandi Thomas seconded the motion. Motion passed with a 4 to 1 vote.

Ms. Ana Bernal made a motion for the City to create and open the position for Community and Economic Development Director. Ms. Araceli Quinonez seconded the motion. Motion passed unanimously.

Mr. Mike Nava made a motion to add the Deputy City Clerk/Executive Assistant position to the reorganization previously presented. Ms. Sandi Thomas seconded the motion. Motion passed unanimously.

Mr. Mike Nava made a motion to not spend the capital money for the removal of the buildings at the Airport until the Master Plan is finished. Ms. Sandi Thomas seconded the motion. Motion passed unanimously.

Mr. Mike Nava made a motion for the expense of the City Manager, Public Works Director and Elections to be mitigated. Ms. Sandi Thomas seconded the motion. Motion passed unanimously.

Mr. Mike Nava made a motion to accept the budget as presented with the amendments and motions presented. Ms. Araceli Quinonez seconded the motion. Motion passed unanimously.

#### **4. ADJOURNMENT**

Mr. Mike Nava made a motion to adjourn the meeting at 8:14 am. Ms. Ana Bernal seconded the motion. Motion passed unanimously.

Respectfully submitted by:

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Lorenza M. Gonzales, Committee Secretary