

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

**TUESDAY, MAY 13, 2014**

**5:30 pm**

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

Meeting was called to order at 5:30 p.m.

Members Present:

Mitch Lindemann  
Sandi Thomas  
Mike Nava  
Ana Bernal  
Margaret Morales, Liaison

Members Not Present:

Victor Varela (Excused)

Also Present:

Carlos De La Torre, City Manager  
Luis Pedroza, Finance Director / City Treasurer  
Lorenza Gonzales, Committee Secretary  
Juan Pablo Flores, City Attorney  
Ana Urquijo, Deputy City Manager  
Rocio Garcia-Pedroza, HR Manager

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

None

**3. APPROVAL OF MINUTES FOR DECEMBER 20, 2013**

Mr. Mike Nava entertained a motion to approve minutes as presented. Ms. Ana Bernal seconded the motion. Motion passed unanimously.

Mr. Luis Pedroza apologized for the confusion on the minutes that were sent out to the members and informed them that the correct minutes were emailed to them. He also asked if the members would be ok with staff emailing the minutes for their review as soon as they are ready.

Mr. Carlos De La Torre also asked if the members would be ok with budget books being emailed to them in order to save resources. It will be easier to make changes and resend the electronic file rather than having to change pages every time there is a change.

Mr. Pedroza also commented that it will be quicker to send them the electronic files and they will be getting them sooner.

Mr. Mike Nava recognized that it would be a cost savings however he feels more comfortable if he has the hard copy because he tends to highlight and make notes.

Mr. De La Torre asked if an electronic copy can be sent to the other members and a hard copy be printed for Mr. Nava.

#### **4. PRESENTATION/DISCUSSION ON 2014 - 2015 OPERATING BUDGET FOR THE CITY OF DOUGLAS**

Mr. Pedroza began by presenting the preliminary calculations of the Fiscal Year 2015 budget. He explained staff is presenting an overview of the General Fund. He explained that the full, more detailed version of the budget will be presented on the next meeting.

He began by explaining the General Fund Cash Position. The Unrestricted Cash is at \$3.3 million as of May 8<sup>th</sup>. Restricted funds which consist of HURF, Capital Projects, RICO, JCEF (Court), and Debt Service are also listed. These funds are segregated because they are to be used for a specific purpose. Most of the members are familiar with each purpose. Restricted funds are \$2.1 million for a total of \$5.4 million.

Mr. Nava asked with General Fund made out of many different parts, can money be switched from one part to a different part within the General Fund?

Mr. Pedroza answered yes. The General Fund has the capability to do transfers to other funds however the Restricted Funds cannot be moved.

Mr. Nava asked if the approval of Mayor and Council is needed when funds are switched.

Mr. Pedroza answered yes. Those transferred are within the budget. The transfers that the General Fund appropriates whether it's to Debt Service, Capital Projects, all are put within the budget.

Mr. Nava commented that that is within the budget but after the budget begins to function for the new year, for example, maybe at a point in time the Managing Information Systems, part of the General Fund, doesn't have a need to expend all the money that has been budgeted and the Magistrate has an emergency need. Can the funds be switched from one part to the other part.

Mr. Pedroza explained that they are all General Fund departments. They all use the resources that are within the General Fund. There is no need to be transferring funds between them. Those 2 departments appropriate resources within the General Fund Revenues. There is no need to go back and forth within different funds because you are operating within the same fund.

Mr. Nava asked if there would be no problem in expending and no council approval is needed.

Mr. Pedroza explained not on a department basis but on an overall fund basis.

Mr. Nava asked if he would make Mayor and Council aware of a major change.

Mr. Pedroza answered yes.

He continued by explaining the graph version of the cash position at the end of April. The red line represents the 2014 cash position around the \$3.65 million mark. As members can see it has improved from 2013. The behavior of cash shadows within the year then it dips and we start recovering towards the end of the fiscal year when payments start coming in. The projection is that at the end of the fiscal year the cash position should be a lot higher than that based on the sale of the Government Center which is expected to close before the end of the fiscal year. Cash position is expected to end above what it was last year. With the appropriations seen, the expected revenue within General Fund is \$15.6 million with about \$196,847 in transfers coming in. That is transfers from Enterprise Funds paying for the administrative services that the General Fund provides to the Enterprise Funds. As far as uses or expenses, there are \$13.9 million in expenditures and \$1.9 million in transfers going out to other appropriations. Total \$15.8 million and the budget will be balanced.

He continued by explaining operational changes that are included within the proposed budget. The first one is the Golf Course Sale which passed first reading on the past council meeting. Those changes are being included within the operational budget. It is a \$1 million sale over the next 20 years with a 2% interest. The 1<sup>st</sup> year, the City will invest \$100,000 according to the agreement and will be receiving the 1<sup>st</sup> lease payment of \$75,000 which will leave the City in the red \$25,000.

The other component is that staff wanted to put in the budget a placeholder for the sale of the Douglas Apartments Building on 11<sup>th</sup> and E. The place holder will be

there in order to make expenditures to get the property out in the market. The contingency is where the \$500,000 is placed which is at \$781,668 of which \$281,668 will be placed on Reserve. Again the \$500,000 is just a placeholder for that property.

Mr. Carlos De La Torre explained that the number will increase from \$70,000 to close to \$700,000. Deducting the \$500,000 from the sale of the apartments and the difference is around \$281,000. That cash is being infused into reserves for a couple of things. The recommendation is that money is being put into the rainy fund and the projection is that next fiscal year the city will be getting a hit on Police and Fire Retirement Fund. The plan is to start planning this year as to not struggle next fiscal year. The thought is that the increase will be between \$200,000 to \$250,000 in State Retirement costs associated with Fire and Police.

Mr. Lindemann asked if the Douglas Apartments is the donation being received and how can staff say that it's the sale if we haven't received it, fixed it or put up for sale.

Mr. De La Torre explained that staff is listing it as part of the City Asset. The Council's intent was to put the property out to bid to whoever is interested in buying that property. There is a minimum bid that will be placed for whoever is interested in investing into those apartments. The minimum bid can vary significantly from \$200,000 to \$400,000. Right now staff is getting an appraisal for the land itself then an appraisal for the facility itself will be obtained. Once staff goes into the bidding process, based on the 2 numbers a minimum bid will be set. Hopefully the minimum bid will be higher once somebody makes a bid proposal, so staff wanted to give a little bit of flexibility if the minimum bids come in higher than what staff thinks can be obtained out of them. Staff will put them out on the market saying if they are interested, the City is asking for somebody to come invest to buy that property, flip the apartments and give us a minimum bid which we will work out the number and hope that there is enough interest to be able to come in and say if that is the minimum bid then we want to go beyond that and have some leg room to accept those minimum bids down the road. Then they will invest into them and the City will transfer those assets to the private sector and walk out of them and the City will just be a mechanism on making that happen.

Ms. Margaret Morales asked if the City will put money into those apartments.

Mr. De La Torre answered that the amount of money put in will be minimum in terms of doing the market study and maybe make an amendment to make sure that the appraisal includes the building not the land itself. The City will need to come up with a packet that shows the status of the apartments, what they are valued at, the minimum requirements needed to bring them up to code, and a study that shows that there is a need for apartments in Douglas and with that there is a minimum bid for those apartments. With enough interest the minimum bids will come in a little higher before the actual bidding. Then Council will accept or reject those bids and that can be done within 6 months. The minimum investment is anywhere between \$8,000 to \$10,000.

Ms. Ana Bernal asked where the \$500,000 is coming from. She asked if that is an estimate.

Mr. De La Torre explained that what is on the books is that those apartments are worth \$400,000 and there could be some flexibility of getting a little bit more money. For some apartments to work the minimum bid should be at \$300,000. It could be set at \$300,000 but staff decided to do \$500,000 to make it an easy number to identify. Whatever the City gets will be a wash between revenue and what will be placed on reserves. Again, we see in the books that the apartments are worth \$400,000. We believe that the appraisal will be between \$300,000 and \$350,000 for not just the land but also the apartments.

Mr. Nava asked if the City would be in a better position to make a greater profit if the City would invest the money to do all the repairs.

Mr. De La Torre explained that the Council's direction on that is that the City does not want to be in the real estate business. We can be the catalyst of making that happened. We don't want to get money out of our pockets. If we can turn that around without using the City's money the better off the City will be. That is what staff is doing, not getting into the investment business nor the real estate business.

Mr. Pedroza continued by discussing the capital side. The City will have some money for vehicles, streets improvements, facilities and Council directed projects which will be explained more in detail later. The other operational change expected is in January 2015, the City will not be allowed to collect our own sales tax anymore. Through State Law that just went through, the collections will go back to the State. What cities are expecting is a delay in those tax payments. It will create a cash flow issue. Some cities are bracing for about a month that they won't receive any sales tax collections until Arizona Department of Revenue gets into the flow of collecting for all the cities. That is another reason why reserves will be used. Although those revenues will be realized eventually but it will create a cash flow problem within January and February where the transition will take place from us collecting our own sales tax and the transition for the Arizona Department of Revenue collecting our sales tax. So there will be some lag there in the collection.

Ms. Sandi Thomas asked if when the State pays the City if we get the same amount as we have been getting while collecting our own.

Mr. Pedroza explained that is where the problem lies because if you don't have control and we really don't have sufficient reports coming in or we don't know if staff is coding the correct amounts into the particular city because they are handling all the cities in the State now. So whenever that happens and you don't know what is going on there, all these questions arise. That is the main reason why the City took the bold move into self-collecting back in 2010 because we felt that some of our collections were not really being coded to the City, our money was not getting here

on time. There could have been errors committed by the clerk at the Department of Revenue. So that uncertainty is what gives us that uneasy feeling whether our funds are being handled correctly. The cities are overseeing the transition process very carefully. We want to hold ADOR accountable as much as possible. Making sure they have the sufficient amount of staff. That they have the right tools, the right software and the right reports are provided to the City. We are taking the necessary steps in order to ensure that our funds get here. The definite thing is that they will get here slower.

Mr. Nava commented that there is a gigantic hypocrisy because State Legislators yell about Home Rule in relation to Federal Government action and then it takes local control away from the cities.

Mr. Pedroza explained that staff had a different solution to make it easier to file taxes. It was to create a central location that can be managed by the cities. An online portal that would be managed by each individual city but it would be a central location where a store could file their taxes for many different cities but each individual city would oversee that process while still creating efficiencies for each individual tax payer. The State felt different and they went another route.

Mr. Lindemann commented that the reason why we went this way in 2010 is because AZDOR cut staff and slowed everything down further. There is no guarantee that they are going to higher people back. He also asked if they gave any kind of transition period.

Mr. Pedroza explained we are in the transition period at the moment.

Mr. Lindemann asked what the League of Cities says about that.

Mr. Pedroza explained that they hired a tax professional to assist cities in the knowledge of the laws and how everyone is going to go about it. They will help the cities understand how to audit businesses, following the new rules and working with the Department of Revenue. We have gotten some very good assistance from them. They were trying to fight this but it was one of the Governor's top priorities to pass this bill and get it done.

He continued by explaining that as far as outside agency funding request, the City has received 2 so far. The first one is from the Rotary Club for the 3<sup>rd</sup> Annual Fly-in breakfast request. They requested \$2,000 for that event. DREDC requested \$40,000 for an Economic Development Position. We currently have pending the request from DARC for \$13,000. In the meantime, the \$2,000 and the \$13,000 have been approved. The \$40,000 is not one of the recommendations at this time but is certainly up for discussion.

Mr. Lindemann commented that the Senior Citizens group was going to send a letter to request the usual funding although they didn't want it last year because they

request it every other year. He is not sure if the letter has arrived yet. He was also thinking that in this budget year the City should consider funding the local food bank for their utilities which would be about \$1,000. He thinks those are 2 worthy causes that should be considered this year.

Mr. Nava commented that he would have a lot of questions about the Economic Development. Primarily, how has the City benefitted from what the City has spent so far the last several years. He asked Mr. De La Torre if he has an idea of how much it would cost to return to an in-house Economic Development position.

Mr. De La Torre answered that in the past it was costing between \$80,000 to \$90,000 a year. This position would be a half time position but the recommendation is to continue as is. Staff does not recommend any changes to staff or continue funding that position.

Mr. Lindemann commented that what he was trying to get accomplished was to get some Economic Development from SEAGO. He spoke with the person there and he has done a great job in Greenlee County but he has not connected with him. He feels that is a good thing the City can use because SEAGO it is there for our benefit and we should use that.

Ms. Morales asked if that \$40,000 has been approved.

Mr. De La Torre answered no that the only 2 requests are the Rotary Club and DARC.

Mr. Pedroza continued by listing some significant changes in expenditures. The first two are pension, \$27,183 and \$1,787 compared to prior years is not a significant hit. It only represents about 1.3% increase from Public Safety Retirement from one year to the next. But as mentioned before, next year it is expected to have a bigger increase. They have notified the cities already.

Mr. Nava asked if this does not include the deficit on the funds that is owed.

Mr. Pedroza answered no. He continued by explaining that in Debt Service, the City is spending a little bit less. There are a couple of reasons for that, the 2008 IT Lease was retired and actual costs are being programmed for the new IT Lease. Last year projected costs were programmed because it was projected at 5% and it ended up being at 2% interest. On the health insurance side, it is 39% above what is expected. The contractors advised that a hit will be taken for the following year. At the moment an \$86,739 increase is being projected.

Mr. Nava asked if this is self insured and if staff has any idea what the added cost would be if it was not self insured. He asked if the City is still saving money overall or if it is hard to tell.

Mr. Pedroza agreed that at this point it is hard to tell.

Mr. Lindemann asked how the Affordable Care Act is affecting the insurance status.

Mr. De La Torre explained that it has not affected yet because it was postponed another year. The implementation in terms of the requirements is being built into a little but the City has not been fully impacted by it.

Ms. Morales asked if there is one individual with a lot of claims or if it is just a lot of claims.

Ms. Ana Urquijo explained there are a few on the higher claims and quiet a few individuals on the other categories of claims.

Mr. Pedroza continued by explaining that the Golf Course Sale is a positive of \$25,420 because the transfer last year was of \$125,420. This year only \$100,000 will be transferred. In the Departmental Changes, the increase was of \$354,820. And to answer Mr. Lindemann's question, this is one impact that the Health Insurance Law impacts the City with \$17,328. With the mandate the City has to pay \$64 per member that is part of the health insurance. That needs to be paid to the Feds and the approximate cost is \$17,328. He continued to explain that these are just the notable changes in expenditures, obviously there are others but this makes up \$362,419.

Mr. Nava commented that he is anxious to see how staff was able to balance the budget with that added expenditure and he assumes that staff is not very optimistic with the sales tax revenue.

Mr. Pedroza answered that is correct and the next slide will show where staff is projecting increases in revenue. He explained that in the larger presentation they will show in more detail as to why some departments are a little bit higher. He showed the numbers per General Fund departments to show how staff arrived at the \$354,320 change from one fiscal year to the next. Some departments changed significantly some not so much. That is where the City is at right now. He can answer questions but more details will be given in the next presentation.

He continued by showing revenue projections. There is State Shared Revenue which saw a 5% increase, this is State Shared Sales tax, Urban Revenue Sharing and Vehicle License Tax, for a total of \$309,738. This is a significant increase compared to prior years. This year a decrease in revenue will be seen in the Aquatic Center IGA with the schools. That is the agreement that the City has with the schools for the use of the facility. They are cutting down on their classes and are no longer using the facility as much as they used to, the City won't be able to charge them as much which creates a decrease of \$13,832. The other significant increase in revenue is in Grants. The main 2 are Transit Grant which staff is asking for more Capital items this fiscal year compared to the prior year and the Police Overtime

Grant. This is the highest revenue fund of \$557,989. The County Reimbursement for the Library Program is also programmed in the budget.

Mr. De La Torre explained that when Council entered into the agreement to sell the Government Center to the County, one of the things discussed was the probability to use the City's equipment from the Library, place it in the northern side of the building and create it as an extension of the Library more from an IT perspective, more from a technology perspective. We have that equipment it is just a matter of relocating it to the site. The problem the City has is staffing it. Staff talked to the County and the County seems to be on board to be able to fund the staffing cost associated with providing that extension of the Library. We are relying on that additional revenue to offset the staffing of that part of the Library.

Mr. Pedroza continued by explaining that the other increase was in the rental payments. The lease was approved for Wellness Connection to be at 7<sup>th</sup> and G which is \$1,500 a month; also the continuing of the lease for Southern Arizona Auto of \$300 a month which creates an impact of \$24,600. The Call Center lease was a 15 year lease but after the 5 year lease mark the rent revenue goes down from \$57,000 to \$53,000 a month which creates a decrease in revenue of \$46,212. The sale of Surplus Property, this year the sale of the Government Center was programmed and \$300,000 was going to be used to balance this year's budget. Because it is not being programmed next year it creates a change in the revenue. Miscellaneous Revenue is \$130,000 which is revenue that was being programmed last year because of the investors that are building the Family Apartments. The \$100,000 was being pledged but they pledged \$130,000. That deal is done so it is no longer being pledged on the budget.

Mr. Nava asked on the Government Center, it is not \$300,000 per year for 3 years.

Mr. Pedroza answered yes it was programmed to be \$300,000 for the next 3 fiscal years. What was programmed this current proposed budget was to use the \$300,000 to offset this year's operating budget, the next \$300,000 are proposed for Capital Expenditures because we don't need those to balance the budget this year we can use them for Capital Expenditures which is a most highly recommended use for this one time revenues as opposed to using it to balance the budget.

Mr. Nava asked if it is possible to use part of those \$300,000 for the next 2 years to put into reserves as to create more of a rainy day fund.

Mr. De La Torre explained that it was left open. The way it was programmed is from the \$900,000, \$300,000 was to be used to balance this current fiscal year budget, the other \$600,000 was left to the policy makers, to the Council, and asked them what they want to do with the next \$300,000. Because we are in a transition of council we felt it is best to leave it to the new council to decide what the needs and what direction to take for the next couple of years.

Mr. Nava asked if the money is more of a placeholder at this point in time.

Mr. De La Torre answered yes it is. Once the money is received then the money will be augmenting the General Fund cash position but in terms of how it will be utilized it's not clear.

Mr. Pedroza explained that money is not sitting in the Operating Expenditures. It is sitting in the Capital Funds and it can be moved if needed.

Mr. Lindemann asked if the sale of the Perrilla apartments is included.

Mr. De La Torre explained it is not included, the reason being that it is a separate corporation so it is not part of the discussion. It is a City Asset but it is run by a Municipal Property Corporation and there are no ties to that yet.

Mr. Pedroza explained the last change is of \$26,185 which is transfer from Enterprise Funds. The Enterprise Funds transfer to General Fund to pay for the Administrative side that it provides for the Enterprise Funds. What staff did is established direct costs and budgeted directly into the Enterprise Funds so they pay their own costs. Instead of transferring 10% every month, that cost was put directly so it comes straight from their budgets.

Mr. Nava asked if the General Fund will be expending that.

Mr. Pedroza answered no it won't be expending that.

He continued by explaining some pending items. He began by explaining that there is \$400,000 from the 3/10 of a cent sales tax that was passed in October. Those funds have not been used. It is projected that \$30,000 will be used this fiscal year and it is projected that \$430,000 will be collected. The recommendation is to carryover those \$400,000 which are earmarked strictly for Capital as Council has directed. The \$300,000 from the sale of the Government Center is a placeholder for Capital Reserve but it is there for us to use or place in reserves. There is also \$304,000 leftover funds from the original 3/10 which sunset in September of 2013. After all debt obligations were settled for the Call Center Lease, there are \$304,000. Those are funds that can also be utilized for something else. This year it is projected that \$550,000 will be collected from the 3/10<sup>th</sup>. Those are some really good one-time revenues that can be used for capital or for reserves. The other component infusing into those capital projects are RICO money, grants, the auction money from the City assets and vehicles that were sold, a little bit of General Fund and JCEF. All those different funds can contribute \$776,746 in Capital Projects. Total overall would run at \$2.3 million for next year to be used for one-time expenses. There is a more detailed overview of what the budget is recommending for those funds to be used and it does leave some flexibility for Council to direct some of these projects. The other thing that is pending for which quotes have not been received yet is the liability insurance, also worker's compensation. Enterprise Funds are still being finalized but balanced

budgets are expected on all 3 utility funds, Water, Sewer and Sanitation. Capital requests are still being considered before it is brought to the Member's attention. The last slide is a rough list of recommendations which total \$2.3 million based on the City's needs. The first section is the facilities needs which are building and capital items. The middle section is fleet to meet some of the vehicle needs and the last section is the placeholders talked about earlier that can be Council directed projects of about \$600,000. And finally as Council approved last November some street work for the City of \$660,000. There is some money out there that was accumulated thanks to the 3/10<sup>th</sup> of a cent that was kept and can be used to do some of the things that have been put off for a number of years.

Mr. Lindemann commented that it is very good news and he hopes that part of that with the Enterprise Funds is to hold the line on any more increases.

Mr. De La Torre explained that those are recommendations and Council will decide how they would like to utilize that money in terms of facilities improvements and fleet. The analogy used was to focus 70% to street improvements, 20% on facilities improvements and 10% to fleet replacement. That distribution seems like we have a lot of money in there, which it is to us, because it's a good position to be in but there is a lag on street improvement. We rely heavily on the County to help with street improvements. They have given the proposals, the cost estimates but they are not going to mobilize into town until June or July so whatever was programmed this year we are barely going to see it. There is a lag but once we get into it we are going to spend the money very quickly. But from accounts perspective it is really looking at a minimum in the amount that has no designation. It's \$400,000 for Capital Improvements that is at Council's disposal which is something that has not been seen in a while.

Mr. Lindemann asked under General Government, which were one time or are some of those projected to be recurring.

Mr. Pedroza answered that the 3/10 of a cent is recurring for 4 years at least. \$400,000 is a one-time because we are only going to receive it this year from the carryover from last year. The \$300,000 is one-time revenue from the sale of the Government Center, the \$304,000 are leftover funds from the original 3/10<sup>th</sup> levy from 2008 to 2013. The \$550,000 is the 3/10<sup>th</sup> that we will be receiving every year for the next 3 more years.

Mr. Lindemann commented that he is in favor of taking the recurring sales tax and going for a bond issue and using that dedicated funding to not raise anybody's taxes and get some of these things done finally.

Ms. Morales asked how often do the Police vehicles have to be replaced.

Mr. De La Torre answered that vehicles need to be replaced every 4 to 5 years.

Mr. Nava asked if a replacement schedule is being worked on or if it has been worked on.

Mr. De La Torre answered staff is working on a replacement schedule because we got rid of a lot of vehicles in the past auction. Staff was hoping to generate at least \$10,000 and close to \$90,000 was generated out of that auction. Staff is really reducing the fleet. There was a significant dent made. Every employee was asked what it is that they needed to do their job and do it good. Then the department directors were asked what they needed and where they expected their department to head. All those needs are being merged and an assessment is being made to see what can be afforded to meet everyone's needs. It may not be what everybody wanted or is thinking but we are getting all the input and coming up with a plan of how to give vehicles out and how to assign them. That is still pending. One of the placeholders that was put in there is to get new vehicles for some of those departments who have not gotten a new vehicle for an extended period of time.

Mr. Pedroza explained that the plan is to set up the second meeting with a more detailed presentation to establish a joint meeting with Mayor and Council to get them more information there.

Mr. Nava asked on the lane stripping that is going on. It seems that a lot of it is deteriorating fast. He asked if it is because of the type of paint and if that is normal.

Mr. De La Torre answered it is normal for the type of pain that is being used. It is traffic paint but it is not the typical thermoplastic paint that lasts forever and ever. The cost for staff to stripe is 10 cents per foot as compared to the thermoplastic that will cost \$3.00 per foot. What is happening is very common because it is a water-based paint as compared to what was used in the past which was oil based paint.

Mr. Nava asked if it will present a public relations problem with the City as people see that it seems to be disappearing.

Mr. De La Torre answered it potentially could but other products can't be used. The City could go across the line and buy some traffic paint and it would not meet all the requirements. This is the same type of paint that other small municipalities are using to stripe their streets.

Mr. Nava said he understands that but the question is if people have seen that it doesn't seem to be staying, what kind of information can the City put out to explain that or do they see a need to explain it.

Mr. De La Torre explained he had not really thought about that but if there is a need then he will look into it to provide an explanation that the paint is not being diluted and is being applied correctly.

Mr. Lindemann asked if it would make a difference if it was cured differently or applied when there is not so much traffic or when it is not so hot and if there is a possibility of making the useful life longer.

Mr. De La Torre answered he is not aware of anything but he will have staff look into it.

Mr. Nava asked about the local preference ordinance where local merchants can have an advantage over out of town merchants. There is an article in the Daily Star that the Goldwater Institute has begun to take action over cities who have that local preference. Does staff know where that is at and would it make sense to provide local preference so that our people here get more business.

Mr. De La Torre explained that on the City Charter there is a provision that provides for preference for local vendors but most of the time the way things are purchased the City has to go through State Statutes and when that is done sometimes it doesn't lend itself for us to provide the preference at a local level. That section of the Charter may no longer be applicable to meet the requirements when it relates to procurement.

Mr. Juan Flores explained the Charter does provide for Council to consider it but in order for Council to consider it they have to write it in a way that it is going to meet with Federal and State Statutes. There is a State Statute that prohibits in general this concept of local preference. Despite that, Tucson wrote a local preference statute which is the one that the Goldwater Institute is challenging. With reference to that litigation it is at a 25% litigation phase but it will take about 12 months to get an answer. The general concept at local preference is not looked at very favorably by Federal and State Law.

## 5. ADJOURNMENT

Mr. Mike Nava entertained a motion to adjourn meeting at 6:37 p.m. Ms. Sandi Thomas seconded the motion. Motion passed unanimously.

Respectfully submitted by

*Lorenza M. Gonzales*

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Lorenza M. Gonzales, Committee Secretary