

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

FRIDAY, MAY 31, 2013

7:00 am

1. CALL TO ORDER/ROLL CALL

Meeting was called to order at 7:03 a.m.

Members Present:

Mitch Lindemann

Sandi Thomas

Mike Nava

Victor Varela

Ana Bernal

Liaison Member, Margaret Morales

Also Present:

Carlos De La Torre, City Manager

Luis Pedroza, Finance Director / City Treasurer

Lorenza Rascon, Committee Secretary

Juan Pablo Flores, City Attorney

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

None

**3. DISCUSSION / RECOMMENDATION ON 2013-2014 OPERATING BUDGET FOR
THE CITY OF DOUGLAS**

Mr. Mike Nava entertained a motion that the Finance Committee recommend the 2013-2014 Operating Budget for the City of Douglas as proposed by Administration.

Mr. Victor Varela seconded the motion.

Mr. Nava began by sharing some observations for staff to consider and hopes that the Administration where there may be a disagreement would comment. He began by saying he looks forward to the City's vehicle fleet being reduced in number and smaller trucks replacing larger ones. It was explained to him that this may not be possible in all instances. Secondly upon monthly reviews, if revenue projections prove to be more than actually realized, the Mayor and Council be urged to preserve

General Government Reserve Funds and make up the loss through spending of discretionary funds for non-discretionary items; such as the \$185,000 under "General Fund General Government," Line 7601 (section 3, page 8) for "Misc. Council Projects," and the \$550,000 under "Capital Projects Fund," Capital Projects Line 8900 (section 4, page 4). In essence he would view this as contingency funds in the event that something comes up that needs to be spent for where some of this projects not yet identified would have a much lesser priority. Number 3, Capital outlay needs which if postponed indefinitely can eventually cause reductions in critical services and/or cost more in the long-run than if they were met sooner than later need to be identified and funded. Number 4, the increased cost of administering the City's self-insurance program needs to be studied to identify ways to lessen the cost (reference, various departments' personnel expense line 2004, "Health Ins."). He expressed he may have a question for Administration in this regard. Fifthly, the major, backlogged maintenance and repair of the City's streets and sidewalks should be financed through a special taxing district, but only after the community is asked to support a community hospital through a special taxing district. He also commends the City Manager, the City Treasurer and other City Staff for proposing the required balanced budget for next year with no layoffs or furloughs of employees, with only a minimal reduction-in-force—and that only in relation to the golf course operation which year-after-year has been a major revenue loss requiring a subsidy from the from the General fund—with no use of General Fund reserve funds, all while maintaining approximately the same level of services to our residents as the current budget supports, including providing for senior and disabled residents through the grant to Douglas Arc.

Mr. Carlos De La Torre commented on Item number 1 that staff continues to move forward on that end. It is an extensive inventory of the City fleet. Staff wants to make sure that there is good inventory. They need to look at what the equipment looks like and find out who is using it and who is not using it so that when it's disposed, staff doesn't end up buying the same thing. Staff also wants to coordinate that with replacing the old fleet with a new one but the intent is to reduce the number of vehicles that the City has. He feels the number of employees has shrunk including the amount of services offered so the fleet has to shrink also. Staff needs to make sure that the number of fleet kept will fit the City's needs 5 years from now as well.

Mr. Mitch Lindemann commented that in replacing a big truck with a smaller one it will save in gas but staff needs to have the right truck to get the job done.

Mr. De La Torre also commented that a lot of the equipment is similar and it's being distributed in three different areas. If all the equipment is bundled then some of that fleet can be eliminated. The reorganization will connect these areas and make things more functional.

He continued by commenting that if sales taxes are better, then the projects that are delayed will be funded and the extra money will build the reserve fund. Ultimately this is the goal. This is the first year that the City does not use reserve funds to balance the budget. He did mention that Mr. Pedroza's sales tax projections are very conservative. He also hopes the implementation of the SENTRI lane will not only

help the people coming from Mexico but the waiting list for getting an appointment in Nogales to get into the Global program is of 3 to 6 months. The delay in El Paso is about 10 months. Staff thinks that a lot of folks will make their way to Douglas to get their SENTRI Visa processed. Staff needs to be realistic though in creating these numbers.

Mr. Luis Pedroza clarified that the \$185,000 is composed of \$100,000 coming from TPC Holdings, the development that is coming to do the low income housing. Mayor and Council signed the agreement already. The pledge is for \$100,000 but they are giving the City back \$130,000. And \$75,000 is for the IGA with the hospital. The other \$10,000 is for Miscellaneous Council Projects.

Mr. Lindemann asked if the money for the hospital has panned out.

Mr. Pedroza answered no that it is there just in case it does.

Mr. De La Torre commented that if Capital Outlay is postponed indefinitely than it can create some harm to the critical services out there, ambulance being one of the examples. The more the City waits the more services can be put in harm's way. Even though the City can't buy a new ambulance why not buy one that is in better condition than what we have now. Staff is trying to take care of the bare essentials and as the City moves along then we will need to do some capital investment in terms of the overall city fleet and facilities. In terms of insurance, staff continued to look at ways to see how that can be improved and to reduce the impact not only to the employee but to the General Fund as well. This year is an unknown because of Obama Care starting. Most of the insurance companies don't know how they will be impacted and increased their premiums. In the long run when looking at funding capital projects the best thing is to go into long term debt so that it doesn't become a huge impact to the community. One of the things that was done in the past is to borrow money against HURF or General Fund. The City needs to stop relying on HURF because the revenue coming in is less and less. He feels limiting the use of reserves is moving in the right direction. He feels the best strategy to be able to create a special taxing district is to be able to sell it to the community by building their trust and showing them what has been done and what else could be done.

Mr. Lindemann commented that when he has talked to people about this they have all agreed that they want to see everything done and not pay as you go the way things have been done.

Mr. Nava explained he worded Item number 5 the way he did because he sees 2 primary needs for the community, one being a good school district which he knows Mayor and Council are concerned about and the need for maintaining a hospital, that over and above the streets and sidewalks.

Mr. Lindemann commented that he and Ms. Morales have tried to get a taxing district for the hospital but nothing has ever been done about that.

He asked on Water Capital Reinvestment page 4 when looking at 6301 Small Tools, in 2014 the requested budget is \$7,000 and yet in 2013 it was \$3,500. The amount has doubled.

Mr. De La Torre explained that what was requested last year was \$7,000, the \$3,500 is what they have spent so far this year. They are requesting the same amount of money.

Mr. Lindemann commented that he has had tools for 30 some years and doesn't understand why the requested amount has to be the same year after year.

Mr. De La Torre explained that shovels break and tools come up missing. Most of those tools are specialty tools for locating a valve and things like that or are parts to replace some of the current equipment. Those are the things that are included within that budget line item. It's not necessarily a hammer, a screwdriver or pliers. The idea is to keep staff from using Operating supplies to buy something that would be classified as a small tool. Ultimately this information is used as part of the rate analysis.

Ms. Sandi Thomas asked on Section 3 Page 14, the budgeted amount on Temporary Salaries was \$32,000 but the actual amount is already over budget and the year before the actual was \$44,000 and only \$41,000 was spent. She asked what Temporary Salaries means.

Mr. De La Torre answered its salaries for the folks that are used on a yearly basis to staff special events and the recreation program throughout the City. All the times when the City is participating in the parades or when they have an event at the park those are the folks that are out there helping out.

Mr. Pedroza explained most of them are minimum wage, 19 ½ hours a week employees.

Ms. Thomas' concern is how much more over they are going to be.

Mr. De La Torre explained staff knew that they were going to be over because there were a lot of things that they wanted to do different and also keeping in mind that this budget was adopted by the previous administration. One of the things that the elected officials wanted to do was not included in this budget, which was the afterschool program. Staff looked into it and the demand for the afterschool program and special events was greater than expected.

Mr. Nava commented that he applauds the City for stepping in and providing recreation which provides some of what he considers to be legitimate physical education goals. Unfortunately, in a major budget reduction for the schools 3 or 4 years ago the school board agreed to cut the elementary school's physical education programs completely in a city where our kids really need that because of health issues. Some people have been working to face the school district with the reality of what the board, what the administration recommended and the board agreed to, that

unfortunately has not been successful. The City stepping in really does some value and he appreciates that.

Mr. Varela commented that it is very important what Mr. Nava is stating that obviously the participation of the City into the kids programs due to the fact that even at the junior high level has been reduced if not eliminated. More kids are coming in to the soccer, baseball and football programs who are low income and he knows that the City has been candid in providing help for these kids to be able to play being that otherwise they would not have the resources available. He certainly commends the City for helping as many kids as possible and would like to see more of that participation as these programs at the school levels are being cut down because there are still a lot of kids that are left behind because they don't have the resources. When it becomes to the expense of the sport it comes to the point where you have to leave some kids behind even if you don't want to. But certainly the City has stepped in and helped a lot of them and it's great that the process continues and the City helps out.

Ms. Thomas asked on Section 1 Page 1 why the cemetery budget has increased so much.

Mr. De La Torre explained that one of the components is that staff who retired was not replaced so they were getting behind on maintenance and clean up. What Staff did is they moved employees from Parks to the Cemetery and they were not being budgeted or funded before. There was only 1 position being budget and now there are 3 positions which caused that increase.

Ms. Thomas asked on Section 3 Page 7 on telephone expense is that only cell phones.

Mr. Pedroza explained that it includes both landlines and cell phones and it gets budgeted into this one department.

Ms. Margaret Morales asked who the City pays the cell phones for. She asked if all managers and supervisors get one.

Mr. Pedroza answered that it's for all who are part of the General Fund.

Mr. De La Torre explained that it's not only for department directors or administrative staff, it's also first level supervisors, folks who are on-call, every single police officer has a cell phone, there is 2 or 3 per shift at the Fire Department as well. There are a lot of cell phones out there. Staff relies not just on the phone communication but the email communication as well.

Ms. Thomas asked if the employee plans are watched in case they need to be adjusted.

Mr. De La Torre answered yes. What happens is that every month the employee gets the bill and if there is any personal use on that it gets documented and they

need to reimburse the City for that usage. Finance and IT monitor that usage. IT also monitors all the programs and sees if maybe another company has a better program then they make contact with the current company and see if they can match what they are offering.

Ms. Thomas asked about vacation and sick payout and if the City will start working on a cap or rewriting to put a cap on that.

Mr. De La Torre answered that if the Finance Committee makes that recommendation it can be brought forth as part of the budget discussion and be brought up to Mayor and Council. Staff can present it as one of the things that needs to be looked at this year to begin to develop some policies that Council can adopt at a later date.

Ms. Ana Bernal asked if the amount of vacation time an employee gets is based on seniority.

Mr. De La Torre answered that it does. It varies from 5 hours per pay period up to 9 hours per pay period on the time that an employee is allowed for vacation. In terms of sick leave it is 1 day per month. That can be accumulated over a 5 year period at which point in time if the employee does not use that sick leave they get an incentive of a week's work of pay for not calling in sick. The employees that can do that have taken advantage of that and when they retire they get the full 240 hours of vacation that they have accumulated and a roughly prorated rate of the sick leave. Other entities don't usually get the payout if they leave. He feels that there are so many things that the Personnel Rules and Regulations probably don't reflect the business environment that the private sector and government entities are going through that down the road staff will have to look at but in doing that it may require some Charter revision because the Charter outlines that there has to be a Personnel Commission that addresses those issues. The Council can amend some rules but if it's a drastic change then it needs go through the Personnel Commission to amend the Charter.

Ms. Bernal inquired about doing what other companies do and instead of employees being able to accumulate the time for it to be lost at the end of the year.

Mr. De La Torre explained that the City has a cap of 240 and 480 and anything that is not used after that is lost at the end of the year. There are maybe 3 or 4 employees who will ask for an extension. If one is granted it is for not more than 3 months.

Mr. Juan Pablo Flores explained that if these changes are considered they would only apply to new employees. All the past employees would be allowed to maintain their level of benefits.

Ms. Morales suggested that another option would be if they don't use the vacation then payout that 1 week to them.

Mr. Nava commented that the administration has dealt with this in saying that when there is a big payout for somebody retiring the position isn't filled until there is a balance between the pay that is saved by not filling the position and the payout for sick leave and vacation but staff must realize that the total compensation package for the employee and the city has not been able to provide pay increases to reduce benefits makes that worst.

Mr. Varela asked if this is similar to other cities in terms of the amount that can be accumulated.

Mr. De La Torre answered yes but in terms of limits. The only difference is in sick leave where if you leave before retiring then you lose it. That is how Cochise County is. They will pay vacation but not sick leave. In terms of how it can be accumulated and how much can be accumulated it is very consistent. What changes is how it's paid out.

Mr. Varela thinks it's a good practice in terms of avoiding employees calling in but coming from the private sector it is substantial. It is a good amount of hours that is allowed to accumulate.

He then asked where the line item for the sports funding is at.

Mr. De La Torre explained it's a grant received by Tohono O'odham that is administered through a separate bank account. It is not part of the City's budget.

Mr. Varela asked what the City is doing to maybe match some of those funds.

Mr. De La Torre explained that if that were to be the case then it would be funded through the recreation program.

Mr. Varela asked how much the Tohono O'odham grant is for.

Mr. Flores explained it started off with \$25,000. At the moment the balance is at roughly \$20,000. He explained that staff has administered that very well. He also explained that even though the City does not have a specific line item for children in sports that the City has provided an afterschool program for the children to keep them busy.

Mr. De La Torre explained that Section 3 Page 8 line item 8106 shows an allocation of \$1,000 out of General Fund to partner with that organization or if there is an institution that requests funds and the children are low income then the City can fund it through that account. This is aside from the amount allocated for recreation costs.

Mr. Pedroza explained that in Section 3 Page 14 Recreation Costs is \$15,000.

Mr. Varela noted that so far \$9,300 have been spent from that line item and would like to know what it was used for.

Mr. De La Torre explained the Ice Skating Rink, 4th of July event, the supplies for the afterschool program, providing the consumables for the programs that are being run out of the recreation center, and for the senior program.

Mr. Varela commented he sees a lot of need for funding the kids program in town and the Golf Course continues to be funded thousands of dollars in which the adult community seems to be benefiting from that and in comparing the amounts for the kids and the amount for the Golf Course. He sees a big difference in funding that is not in the best interest to the community as a whole. He feels it should be something to look at.

Mr. Nava agreed with Mr. Varela's comment being that the community is poor. He feels that whoever wants to use the Golf Course should be sustained by the individual who wants to do it where the kids need so much but have so little.

Ms. Thomas commented that there are kids who use the Golf Course also to prepare for the Golf team.

Mr. De La Torre explained that ultimately the goal is to strike a balance and provide recreation not only for children but for seniors and adults. He feels little by little a transition needs to be made so that those activities can be self-sustaining.

Mr. Lindemann explained that there is a motion on the floor to recommend the budget.

After roll call, motion passed unanimously.

4. ADJOURNMENT

Mr. Mike Nava entertained a motion to adjourn at 7:59 a.m.

Ms. Ana Bernal seconded the motion.

Motion passed unanimously.

Respectfully submitted by

Lorenza M. Rascon, Finance Committee Secretary