

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

**MONDAY, DECEMBER 10, 2012**

**7:00 am**

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

Meeting was called to order at 7:05 a.m.

Members Present:

Mitch Lindemann

Sandi Thomas

Mike Nava

Victor Varela

Members Not Present:

Ana Bernal

Also Present:

Margaret Morales, Liaison

Carlos De La Torre, City Manager

Luis Pedroza, Finance Director/City Treasurer

Danny Ortega, Mayor

Lorenza Rascon, Committee Secretary

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

None

**3. APPROVAL OF MINUTES FOR NOVEMBER 8, 2012**

Mr. Mike Nava entertained a motion to approve the minutes as presented.

Mr. Victor Varela seconded the motion.

Motion passed unanimously.

#### 4. DISCUSSION/DECISION ON BUDGET AMENDMENT PROPOSALS

Mr. Carlos De La Torre began by reminding the Members that back on November 8 staff had talked to them about the City's financial situation where Mr. Pedroza went over the budget. At that time staff had informed them that the projected shortfall was of \$145,000. Since November, this has not changed and actually has worsened. The current shortfall is of \$250,000. The projection was for the City to be under by \$115,000 at the 6 month period. The problem, as discussed last time, is not that the City is spending more but that the revenue is not coming in as anticipated. What he did is outline several options that will give the opportunity to review and provide some feedback.

The first option is to not do anything and to continue with the budget as approved by Council. If this is continued as of January 1, it gives a figure that will put the City under by \$452,286. He outlined the fiscal impact by noting the COLA, the IT Director, Library Director and converting the Limited to Permanent positions which totals \$202,286. Adding that to the current deficit of \$250,000 will put us under by \$452,286.

The second option is to not fill the IT Director, Library Director or convert the Limited positions to Permanent positions but give the employees the 2% COLA. If members decide to do that it will create a fiscal impact of \$103,893 plus the current deficit for a total of \$353,893. The 2% COLA will not only have to be absorbed halfway into the year but will also have to be a liability that will have to be carried forward for years down the road. That is a concern and if staff is concerned about sustainable revenue then this added expense is something to be aware of down the road.

Option number three is saying that we are halfway into the year, we know we want to do something but we can't really afford the 2% COLA maybe we will look at doing a 1% COLA. Again option three talks about not filling the vacant positions and not converting the Limited positions to Permanent positions. That will cost about \$64,000 plus the current deficit of \$250,000 which will put the City under by \$314,000. Again the concern is the same as with option number two whether the City will be able to sustain the cost down the road.

Option number four is to look at postponing the COLA and look into issuing a one-time distribution to all employees on December 21<sup>st</sup> and prorate the distribution to other limited and temporary employees. Certainly continue with the plans to fill the permanent positions that are already funded and are being filled by limited employees or temporary employees. Those positions consist of two IT Specialists and a Housing Occupancy Specialist. Do away with making some positions permanent which consist of the Golf Pro, Bar Supervisor, Airport Laborer and HVAC Specialist. They would stay at Limited positions. And in the Library, there is a retirement coming up at the end of December, there is no Library Director so the thought is to bring an entry level Librarian to cover the needs of the Library, not so much as a Manager oversight but for an overall technical oversight and for the

expertise on running the Library. The reclassification will cost about \$15,000 but it can be covered due to salary savings. The Fiscal Impact breakdown will be a one-time distribution of \$48,000, savings of \$103,893 to postpone the 2% COLA, the reclassification of the Library Specialist to Librarian will cause a cost of \$7,400 which is the expense for half of the year, if the IT Director position is frozen that will create a savings of \$48,544 and \$35,849 for the Library Director position. This will give a positive balance of \$132,886. Add the current deficit of \$250,000 which gives a negative balance of \$117,114. Then as mentioned earlier the programmed deficit so far this year is of \$115,000. That still puts the City under by \$2,114.

He also included a table that will show what the one-time distribution will look like for all employees. This distribution will give all employees some one-time distribution as opposed to the COLA which will only give the 2% to full time employees. In this case everyone gets something. He feels it would be the best thing to do since they have been key on carrying the City through this difficult time. By looking at all those changes it really provides a good opportunity to generate a savings of \$132,886.

The other option is option four A, which is the possibility that the Finance Committee entertain the idea of giving employees a 1% COLA instead of the 2% or the one-time distribution. It means that only full time employees will be getting the COLA but the fiscal impact with this proposal is of \$31,500, \$16,500 less than the one-time distribution. He explained that the reason why he suggested this option is to give some kind of flexibility. He explained that in doing the COLA a department director would get a substantially higher amount than a parks employee. For example, a department director would get about \$845.00 with a 1% COLA or \$1,700.00 with a 2%, a police officer would get \$423.00 with a 1% and \$850.00 for a 2%, a parks employee would get \$330.00 with a 1% and \$660.00 with a 2%, and an account clerk would get \$156.00 with a 1% and \$300.00 with a 2%. He explained this is something for the members to consider.

Mr. Mitch Lindemann commented that he likes the idea of giving something to everyone at Christmas time. It helps with cohesiveness and fairness. He thinks option four would be a good choice and hopefully when Christmas sales tax come in then the COLA can be implemented on next budget year.

He also asked if it had not been agreed to find a retired Librarian who would be willing to volunteer some time.

Mr. De La Torre informed him that Ms. Urquijo did talk to a former Librarian but the timing was not going to work for the City. Volunteers normally work their own hours and it was not going to work with the hours that staff needed them. It's something staff will continue exploring.

Mr. Lindemann agreed and commented that it would be added help and maybe later on it can be filled permanently. He also informed staff that he saw Joan Reichel and she expressed an interest in helping out.

Mr. Mike Nava commented that he will be in favor in keeping faith with what Mayor and Council has done in providing the 2% COLA in general. He contrasted that with another unit who did not keep faith. The school district provided a 3% raise which was in reality a 2.35% raise because .65% was a refund of an overcharge in relation to retirement. The Administration said they could not guarantee the raise after one year. He felt that was a valid consideration. The Board wanted to make sure that the employees understood that it was a one-time dollar amount during this year. Where the faith comes in, each employee got a one-time 2.35% raise, the Superintendent accepted a raise of over \$30,000 which was about a 30% raise. He doesn't understand how that person could accept that great a raise in relation to the employee raise. He understands that the school district lost the override election. It asked for \$1.75 million dollars up to that amount for each year up to 5 years and it listed a great number of things that it would purchase with that money. The assumption needs to be made that without that money those needs would go unmet. How do they have enough money for a tremendous, self-described, very generous raise for one employee? In addition, the superintendent asked recently for the Board to approve a job description for an in-house attorney. If they don't have the money at the school district level to do more for employees then why are they doing those two things? He questions the lack of faith because a lot of school employees are very disenchanted, very disillusioned by that contrast. He does not want the City to be in that position. Employees expect the following to go through. Yes it hurts financially. If that were known, if the projections from the last City Manager had not been as optimistic as they were then perhaps the Mayor and City Council had not granted the COLA and had granted a one-time as staff is proposing. He wants to keep faith with the employees and sees a way to do that.

Ms. Sandi Thomas expressed concern being that the numbers are not there and it would put the City further into a hole.

Mr. Victor Varela asked when the last COLA was given to employees.

Mr. Luis Pedroza answered it was 2009.

Mr. Varela asked if it was a 2%.

Mr. Pedroza answered it was a 1%.

Ms. Thomas asked if it was common to give temporary employees raises.

Mr. De La Torre answered not when a COLA is done. In the past they have gotten a prorated amount on a one-time distribution. About 8 years ago, employees got \$350.00 and a prorated amount for temporary employees. That has been done a couple of times but they don't get a COLA.

Mr. Nava commented that part of his motion would not include an encouragement but asked if a group of higher paid employees would be willing to forego the amount of COLA in favor of keeping the COLA for the rest of the employees.

Mr. De La Torre commented that because of the time restraint he was not able to talk to any of the employees or to analyze any of that. He pulled certain amounts as to give them an idea of what the numbers would look like but did not go into detail on each employee's salary.

Mr. Lindemann agrees with Mr. Nava that the faith needs to be kept with all employees and feels that everyone needs to be taken care of.

Mr. Nava entertained a motion for the Finance Committee to recommend Option Number Two including recommending that the deficit be taken from the remaining \$470,000 that is discretionary to Mayor and Council and that whatever is left from the original \$600,000 amount be reserved strictly for emergency spending. This would include recommending the entry level Librarian position.

Mr. Varela asked if the remaining funds will be used for emergency purposes and if he is calling the Librarian position an emergency situation.

Mr. Nava answered no that he is recommending that change.

Mr. Varela asked if it would be coming from the remaining funds.

Mr. Nava answered yes.

Mr. Varela asked what would be an example of an emergency situation.

Mr. Nava answered it would be at the discretion of the City Manager to decide what would constitute an emergency.

Mr. Lindemann seconded the motion and proposed an amendment to remove the emergency situation clause from the original motion.

Mr. Varela seconded the amendment.

Mayor Danny Ortega expressed a concern over the emergency clause as well and reminded the members that Mayor and Council is contemplating the sale of some City property which can help in alleviate the situation.

Mr. Nava commented that he understands that some property will be sold and thought that money could be used elsewhere instead.

Amendment passed 3-1.

Motion as amendment passed 4-0.

Mr. Lindemann commented that he hopes that if the sale of property goes through that staff will consider using some of the money to compensate employees who will not benefit from the COLA.

Mr. De La Torre reiterated that the 2% COLA would only go to full-time employees.

**5. CHAIRMAN'S REPORT**

None

**6. FINANCE COMMITTEE MEMBER'S REPORT**

None

**7. CITY MANAGER'S REPORT**

Mr. De La Torre thanked everyone for their time and wished everyone a Merry Christmas and Happy New Year.

**8. CITY TREASURER'S REPORT**

None

**9. ADJOURNMENT**

Mr. Mike Nava entertained a motion to adjourn the meeting at 7:30 a.m.

Mr. Victor Varela seconded the motion.

Motion passed unanimously.

Respectfully submitted by

---

Lorenza M. Rascon,  
Finance Committee Secretary