

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

WEDNESDAY, MAY 23, 2012

7:00 am

1. CALL TO ORDER/ROLL CALL

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

Members Present:

Mitch Lindemann
David Caveny
Mike Nava
Victor Varela
Ana Bernal

Also Present:

Margaret Morales, Liaison
Curtis Shook, City Manager
Luis Pedroza, Finance Director/City Treasurer
Ana Urquijo, HR Director
Lorenza Rascon, Committee Secretary
Michael Gomez, Mayor
Daniel Ortega, In-Coming Mayor
Gary Clark, DARC Director

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

Mr. Mike Nava protested the fact that an open meeting time of 7:00 a.m. is inconvenient for the members of the community and brought to the attention of the Committee the questions that he brought to the members at the previous meeting.

Mr. Gary Clark from Douglas ARC thanked members for helping and supporting their company for many years. He explained that they have gone thru some tremendous cuts over the last two years. Their agency has lost over \$150,000. Their budget is approximately \$1.5 Million and have lost about 10% due to the cutbacks in the Legislature not only Federal but also in the State Legislature. That is the bad news. The good news is that they made over \$23,300 at the 49th Annual Mother's Day Cake Auction. They also made over \$9,000 at their 13th Annual Carne Asada and

over \$4,000 in the bicycle ride. There were over 200 riders in the bicycle ride and they all stayed in Douglas. The grand total of all is about \$34,000 with that they were able to match Federal and State dollars so that generates about \$170,000 that is spent here in Douglas. That is aside from their regular budget. They have 22 new vehicles. They are currently cooking 300 meals a day from which 120 are delivered to home-bound Douglas senior citizens 5 days a week. They also deliver 80 meals a day to Bisbee, Double Adobe and Elfrida. A lot of people don't know that. They also provide janitorial service here at City Hall, Library, Homeland Security, DES buildings and ADOT along with doing ground maintenance and landscaping. The whole idea is to put people to work and they are asking the City for their support so they can buy gasoline. He explained his gasoline bill every month is anywhere from \$4,000 to \$5,000. They are asking for \$13,000 which is a lot of money given the situation that is at hand right now but they think that the seniors deserve that and the people with disabilities deserve it.

3. FINAL DISCUSSION AND DECISION TO PROVIDE STAFF DIRECTION ON FINANCE COMMITTEE RECOMMENDATION TO MAYOR AND COUNCIL ON FY 2012-2013 CITY OF DOUGLAS BUDGET.

Mr. Luis Pedroza began by explaining that in the first official meeting, staff was presenting some alternate savings options. He explained to the members that were not present at the previous meeting that the budget was at a deficit in the General Fund of \$12,000 that will need to come out of the Reserves at this point. He explained that what was being presented to them was some alternate savings options to see if they would be suitable and possible options that the members would like staff to pursue. He continued to explain that the savings option for the Recreation Center is for the 3rd Street location. He explained that there are times when there is very low attendance. There is other when it's very successful with the Summer Camps. When the kids are on vacation is when there is the most use out of that building. This option proposes to close the facility at different times during the year when there are only a few people using it and move the recreation programs on the road. Consolidate it to where better programs can be provided during the Summer Camps. Another possibility that is being looked at is to pursue the use of the facility for classrooms. It is believed that it is a good source of revenue. Maybe lease it for meetings or to a school. In looking at the \$12,000 impact, closing down the facility for those periods of time that it's not being utilized will create that savings in O & M costs.

Mr. Nava commented that last year the committee was given a figure about the reserve that would be present when taking away all that would be impacted. He asked if a more definite figure could be given now about the carrying figure so they can have a better idea of what that figure is.

Mr. Pedroza explained that as of last week the reserve was at \$2.9 million after taking out all the variables.

Mr. Nava commented that the figure is above the number that was given to the Committee the previous year.

Mr. Pedroza explained that the reserve is at \$2.9 million and yes it is higher than it was last year.

Ms. Ana Urquijo explained that as the discussion continues about the potential alternate savings areas, staff also looks at things on the perspective of revenue generators for the future. It's important that as part of the recommendations staff is directed to continue to pursue all those options. This could very well double the savings if it's closed for certain things but continue to lease it. It's a number that can increase with the revenue generating options alongside it.

Mr. Pedroza continues to explain that the bar sales are profitable, liquor sales are approximately 50% profitable however the restaurant is still not profitable. One of the options is to close the restaurant and reduce the menu to 2 or 3 items, burgers, wings, fries, things that are easily prepared as to not need additional staff. The focus is on trying to consolidate and focus on the operation that is working which will create a possible savings of \$22,000.

Mr. David Caveny asked if the facility will still be available to rent.

Mr. Pedroza answered yes and a list of caterers will be available for those who wish to hire them for the serving of food.

Mr. Victor Varela asked if on the possible savings, if that number includes for options together.

Ms. Urquijo explained that the \$22,000 savings includes both options. Closing the restaurant and having a smaller menu for bar staff to prepare. This option will reduce Cooks. In looking at revenue generating options, since the City has a liquor license there is an opportunity to maximize that and maybe use the Visitor Center as a special event hall. A mobile bar was thought about as well at the Golf Course which would allow the same staff to set up outside for special events. The kitchen is there at the Visitor Center as well and a snap-grip dance floor was looked at for purchase for events that require a dance floor so it can be set up on the carpet. What is figured is that using a 50% ratio of what the bar sales are it would create about \$13,000 increase in savings.

Ms. Ana Bernal asked what the maximum occupancy is at the Visitor Center.

Ms. Urquijo explained that it may be 250 but she will have to confirm that with staff.

Ms. Bernal asked if the Country Club has the same occupancy.

Mr. Pedroza explained that at the Country Club it's 180 but with the expansion towards the patio area it can be over 250.

Ms. Bernal commented that an additional bigger location is needed for these special events.

Ms. Urquijo agreed and explained that staff thought it would be a perfect location with the gazebo on the side and the additional parking both in front and in back of the facility.

Mr. Pedroza explained that it's also something the community needs.

Mr. Caveny asked if the liquor license is one that can be used at both facilities.

Ms. Urquijo explained that she is not sure about that but she will check with Liquor Control on that. Or it may require a revision and will need to be taken to Council.

Mr. Pedroza continued by explaining that the next alternate package proposed is to close the Golf Course for one day out of the week and it would require an analysis of the usage to determine what day to close. This could potentially create a savings of \$22,471. What it consists of is O & M reduction and reduction in staff hours as well. The consideration would also need to include the fact that there are some RVers that park there specifically to play golf and the intention is not to turn them away.

He continued by explaining that in the previous fiscal year the Aquatic Center was closed for four months to repair the pool. During that time, not considering the Capital Cost, there was a savings of \$42,006. That savings included staff, O & M and specially the electricity cost. The idea would be again to propose the closure of four months. Closing during the off season when the school is not using the facility and also when the use of the 8th Street Pool can be promoted. It's important that it's not closed and citizens not have an option to go swim.

Mr. Nava asked if the possibility of closing one day a week has been thought of.

Mr. Pedroza answered that the idea has not been considered but it will be looked into.

Ms. Urquijo continued by explaining that in looking at other options for additional revenue, the possibility of pursuing the use of the therapy pool and leasing it to the local hospital or an independent physical therapy has been considered. In reviewing possible revenue generating numbers it is thought that it might generate a total of approximately \$63,000.

Mr. Caveny asked if during the remodeling of the facility if the heating of the pool was separated from the heating of the therapy pool.

Ms. Urquijo answered yes and explained that there is a separate pump room for each pool.

Mr. Mitch Lindemann asked if staff has a total of savings generated when all alternatives are combined.

Mr. Pedroza answered that savings for the packages that are presented it's a total of \$90,000 close to \$100,000.

Ms. Urquijo added that if some of the revenue generating options were implemented also the savings could be up to another \$100,000 to \$120,000. Keeping in mind that this figure is for an entire year and starting this process may take several months. Even conservatively looking at that figure in a six month period it would add \$60,000.

Mr. Lindemann asked if it would close the gap in balancing the General Fund and not use so much from the Reserve.

Ms. Urquijo explained that it could at least set it as an expectation and add \$60,000 to the revenue.

Mr. Caveny commented that if the amounts are added together then the projected deficit would come down to about \$50,000.

Ms. Urquijo agreed and said it would be an easy transfer. She continued by explaining that the other areas that will be discussed are for recommendations to council also. She explained about the empty facilities that the County will leave. The Juvenile Detention Facility is used for Transit there will be no potential impact to the General Fund. The facility on G Avenue can be leased out. The use of the Visitor Center can be expanded thru the Ordinance which limits what it can be used for. Another decision is whether the Tourism office moves to the new museum or stays at the Visitor Center. Also the large multipurpose room, there has not been any determination on its use but it would be perfect for general community type functions and events as well. The small multipurpose room, staff is making recommendation for library expansion. It would complement the museum by bringing in historical collections. The museum hasn't formally been nestled in into any department. Staff is making a recommendation to make it part of the library and reorganizing that position as well. The kitchen area in the government center can be another potential for revenue. The mention has been made to lease it to a major food chain like Quiznos, Subway or that type of restaurant. Luis brought a good point also about leasing it to a big chain and letting them come in and finish it themselves and for the first year not necessarily let it be a lease and start the lease agreement on the second year.

Mr. Caveny commented that these major chains expect to incur this type of expenses when they move in to an existing facility so it could be leased from day one.

Mr. Nava commented that it appears that things can change considerably for these 4 items on facility considerations that he is suggesting that details be left to staff throughout the year and not necessarily expect any particular level of revenue generated.

Ms. Bernal asked if there was a possibility of doing outside events at the Golf Course maybe getting a dance floor installed out on the greens.

Ms. Urquijo explained that it has been looked at but it has never been put into budget. Gilbert and she had that conversation because he had an issue where a special event doubled up for him and he had to take care of another event out on the greens. They have talked if they had the tents, the resin chairs, the type of tables they would be needed, a movable wet bar and a snap on dance floor. The dance floor would ultimately be movable. If the investment is done for one for the Visitor Center it could ultimately be moved to be used on the greens at the Golf Course. It would just need to be a very level area and the putting green would be perfect for the dance floor.

Mr. Varela commented that he likes the idea of being able to invest in the dance floor to host special events in other areas. He feels it would be a good long term investment for the City.

Ms. Urquijo explained that this will be something Mayor and Council could take into consideration as a Capital Project, as well as the expansion or build-out of the therapy pool to incorporate a greeting area and a restroom facility. That type of money is available for Council to use for these types of projects.

Mr. Curtis Shook commented that the new Mayor and Council will have a lot of assets to be able to look at on how to use them to create new wealth, whether it be new revenue or the provision of in services to our residents. Council will be able to direct staff and staff will be able to carry out what they decide. Staff generally recommends and proposes and Council makes the final decision and direction.

Ms. Urquijo explained that the intention is for Finance Committee to direct staff as to how to proceed with these options so they can be presented to Mayor and Council.

Mr. Mike Nava made a motion to accept alternate savings options 2 (Bar and Restaurant) and 4 (Aquatic Center). Motion dies for lack of second.

Mr. Lindemann explained that the best approach would be so make motions by divisions as to not create any confusion.

Mr. Varela asked if staff knows what months the high school does not use the Aquatic Center for their classes or tournaments.

Ms. Urquijo answered that a study has been done already but she can't recall the exact dates. During the time suggested the facility only gets 23% usage. Closing the facility would not interfere with any of their activities or classes.

Mr. Pedroza explained that in all options the impact to the public is minimal. There is still the consideration that Mr. Nava brought up to close at least one day a week.

Ms. Urquijo explained that it's not as efficient to close one day a week because the pool still needs to be kept heated. If it's closed for an extended period of time then everything is turned off.

Ms. Bernal expressed a concern about the option of closing one day a week because the regular users then start wondering whether it's closed today or it's closed tomorrow. But if it's closed for an extended period of time then it still gets utilized.

Mr. Varela inquired about installing solar panels at the Aquatic Center and asked if that has been considered.

Ms. Urquijo explained staff has been in contact with the schools. They have been working with APS on solar generating solutions in their parking lots. Since the Aquatic Center was built on school property they had to contact them about the solar panels in the parking lot. She has a contact person already at APS and will start looking into that option. She explained that the closing of solicitation for grants is fast approaching thru APS. She explained that would be an excellent source of savings along with the proposal for the Therapy Pool.

Mr. Pedroza explained that in the coming fiscal year the impact would be minimal because staff doesn't have all the information needed to give better numbers. Staff is not sure if an area for a front desk will be needed for the Therapy Pool and how much impact it would create. He would like to present better hard figures for both the therapy pool and the solar panels.

Mr. Varela asked if the closing of the grant request for the solar panels is approaching soon.

Ms. Urquijo answered that it's closing in June and it's something that she is working on at the moment.

Dr. Gomez commented that in looking at the Revenue vs. Expense report he noticed that the parking lot is losing about \$15,000 and asked if it is possible to lease it to somebody and save those \$15,000.

Mr. Shook answered yes however before that would become an option some other options need to be ruled out. As Members know, the City is taking over operations of the Transit system and it's possible that it could be run out of there and Transit staff

can collect the parking fees and use the parking fees revenue to go towards Grant Match on the Transit program. And it's close to the border and the emphasis of taking over transit is to be able to serve the border moving people back and forth without them having to wait such a long time. So that location sets itself up not only to be a possible revenue generator for the transit system but to be a transit friendly place for people to walk across the border get rides to ACCT or to downtown and be brought back to the border. It's a good question but City's use of it as a way to boost its own economic situation should be considered first before it's turned over to somebody else.

Mr. Pedroza suggested that what needs to be considered at this point is the alternate savings packets whether they are implemented within the budget or these alternate decisions like pursuing the therapy pool contract, members can make a recommendation to pursue it but not necessarily to be incorporated into the budget since staff doesn't have exact numbers at this moment. He explained that these further considerations can be written on the recommendation memo saying that they would like to direct staff to pursue a therapy pool contract with the hospital and for staff to bring about cost and revenue projections.

Mr. Nava asked if the money to start up the therapy pool can be taken out of the Capital Reserve.

Mr. Pedroza explained that yes that is an option and also preliminary projects show that revenue will offset the capital investment. But that can be done and then the revenue will come back and supplement it.

Mr. David Caveny made a motion to accept the possibilities of saving \$12,000 on the recreation center within the scope of the presentation with some adjustments allowed. Ms. Ana Bernal seconded the motion. Motion passed 4 – 1.

Mr. Victor Varela made a motion to accept the alternative option to close the restaurant at the Country Club and provide a reduced menu for the possible savings of \$22,000. Ms. Ana Bernal seconded the motion. Motion passed unanimously.

Ms. Ana Bernal made a motion to not consider the closing of the Golf Course for 1 day per week. Mr. Mitch Lindemann seconded the motion. Motion passed 3 – 2.

Ms. Ana Bernal made a motion to keep the Aquatic Center open and consider an alternate option. Mr. Mitch Lindemann seconded the motion. Motion passed unanimously.

Mr. Mike Nava made a motion to direct staff to pursue the facilities separation for building enhancement. Mr. Dave Caveny seconded the motion and proposed an amendment suggesting to look into having a restaurant chain move in to the Government Center and looking into the movable liquor license. Mr. Mike Nava seconded the amendment. Motion passed unanimously.

Mr. Mike Nava made a motion to direct staff to pursue the therapy pool. Mr. Dave Caveny seconded the motion. Motion passed unanimously.

Mr. Mike Nava made a motion to direct staff to pursue the solar panels for one or more city buildings. Mr. Victor Varela seconded the motion. Motion passed unanimously.

Mr. Mike Nava made a motion to include the 3 requests from outside agencies.

Mr. Pedroza asked if those could be considered separately. He explained that as a recap, there have been 3 funding requests made by outside agencies. The Centennial Committee has requested \$5,000, DARC has requested \$13,000 for their Meals on Wheels program, and the Douglas Senior Citizens requested \$1,500 for their special events. He said it is important that they be considered one by one in case there are any deviations. He explained that for the Centennial Committee it was discussed that the City would be providing some in-kind support of approximately \$2,500 nestled into the Recreation/Special Events budget.

Mr. Mike Nava made a motion to fund Centennial Committee \$5,000 with the possibility that additional funding be considered if requested by Centennial Committee. Mr. Dave Caveny seconded the motion. Motion passed 4 – 1.

Mr. Mike Nava made a motion to fund DARC \$13,000 as requested. Mr. Dave Caveny seconded the motion. Motion passed unanimously.

Mr. Mike Nava made a motion to fund Douglas Senior Citizens \$1,500 as requested. Mr. Dave Caveny seconded the motion. Motion passed unanimously.

Mr. Mike Nava made a motion to approve \$600,000 from Capital Request be used. Mr. Dave Caveny seconded the motion.

Ms. Bernal asked for clarification.

Mr. Pedroza explained that the recommendation is to set aside \$600,000 for Mayor and Council to use on Capital Projects. There is nothing solid yet but it can be in consideration of the facilities that were presented. What is being recommended is that \$600,000 is set aside and for Mayor and Council to vote as to how best to use that money.

Motion passed unanimously.

Mr. Mike Nava made a motion to accept motions recommended for the FY 2012-2013 budget and allow for five additional motions to be presented. Mr. Dave Caveny seconded the motion. Motion did not pass 3 – 2.

Mr. Victor Varela made a motion to accept budget with recommendations presented. Ms. Ana Bernal seconded the motion. Motion passed unanimously.

Mr. Mike Nava made a motion to recommend to Mayor and Council that it put out for a residents vote the acquisition of an aerial ladder fire truck. Motion died for lack of a second.

Mr. Mike Nava made a motion to recommend to Mayor and Council to subsidize the operation of the Golf Course complex, in particular the restaurant portion of that operation. Motion died for lack of a second.

Mr. Mike Nava made a motion to recommend to Mayor and Council the holding of a residents vote on either bonding or a special taxation district to pay for street maintenance and repair. Mr. Dave Caveny made an amendment stating that Council consider such an option in case street maintenance and repair is needed. Motion dies for lack of a second.

Mr. Mike Nava made a motion to recommend to Mayor and Council the written declaration in the budget document that the Douglas Airport and the Golf Course Complex are regarded as Enterprise Funds and should be treated as such, in particular that any subsidies past, present and future are to be repaid to the General Fund. Motion dies for lack of a second.

Mr. Mike Nava made a motion to recommend to Mayor and Council an inventory of recreational facilities and equipment for (a) improvements needed, (b) liability situations, and (c) completion of facilities. Motion dies for lack of a second.

Mr. Mike Nava made a motion to recommend to Mayor and Council to request a report from the Regional Economic Development Corporation prior to the inclusion of any amount of financial subsidy for the Corporation to contain at a minimum (a) listing of past accomplishments which have benefitted the City of Douglas and its residents, and (b) listing of actions which have assisted in retaining existing businesses in the city of Douglas or have the reasonable prospect of retaining existing businesses in the City of Douglas; or a committee recommendation separate from the budget, or the recommendation that the Mayor and Council deal with the matter. Motion dies for lack of a second.

Mr. Shook asked how the Committee wanted to proceed. If they want staff to write recommendations then have another meeting or for members to come and sign after reviewing it for 3 to 4 days. There is a study session on the 29th so staff can try and have the recommendations with any changes made by members by the 27th so that it can be presented to Mayor and Council on that day.

Mr. Pedroza explained he should have the recommendations ready by the end of the day so that members can review them and if no changes needed then they can stop by the office to sign.

4. CHAIRMAN'S REPORT

None

5. FINANCE COMMITTEE MEMBER'S REPORT

None

6. CITY MANAGER'S REPORT

Mr. Curtis Shook said he has been fortunate to work with all of the members for the last 3 to 4 years. The City is going thru a tough time and he has had meetings in general with all of them and meetings individually with most of them. He thanked them for doing the Community a great service. He continued by saying that it's been the harder 3 to 5 years he has been thru but they have an incredible staff. The professionals here are the best that he has worked with in his career. He feels the right move has been made because when everybody else was waiting, staff moved forward and took advantage of great discounts, low interests, construction bids to build the things that needed to be done to provide jobs. It put us in a position where as the economy is starting to come back and the state is starting to give the City money back that it took, the City is at the top of the hill look down with a whole bunch of assets to use as we go into the new economy. The changes that needed to be done were made and reorganized. He explained that there is at least one more reorganization that needs to take place. He will make a recommendation to Mayor and Council, he is not asking them to approve it, it's just his vision of how he thinks things need to go. He feels good about the things that have been accomplished. There have been \$28 million in capital improvements. The infrastructure is up to date and the increases are at an end as far as rates. He wanted to use his time to express how much professionally and personally he appreciates all that they have done and the work they put in.

7. CITY TREASURER'S REPORT

Mr. Luis Pedroza commended Curtis for being an excellent leader and guiding the City thru such difficult times. Considering the circumstances the position that the City is at right now, it couldn't be at a better position, considering what the City had to go thru from 2008 till now. Curtis will be missed and he has been a great leader and a great mentor.

Ms. Ana Urquijo also expressed her gratitude and explained that going back to 2008 with Curtis' direction on establishing the Sustainability Plan to turn the General Fund around to where it's at but more than that the Enterprise Funds becoming self-sufficient and building its own reserve.

Mr. Victor Varela asked about what is being done about the water issues around town.

Mr. Shook explained that the City is at a crossroads at the moment. ADEQ ordered the City to take two wells out of production because of arsenic. The City borrowed roughly \$2 to \$2.5 million to put in two new wells. Well number 7 which was in the parking lot across from city hall and number 14 which was off on Highway 8 about a mile and a half to the right were put out of production. Those two wells had a high concentration of arsenic. And even blending it with all the other wells the level could not be set below the parameters set by ADEQ. In addition to that it got more complicated because no improvements had been made to the water system storage tanks that store one million and a half gallons. Those tanks had not been refurbished in a long time, so the City was faced with having to refurbish those or face another violation by ADEQ. Last year there was a water shortage and people were asked to conserve water because the ¾ million water storage tank by the Golf Course was being refurbished. This year 15th Street, the tanks are being refurbished one at a time that complicates even further. Well 16 is pumping into the system, well 17 is located at the Public Works yard, it was just drilled, and Council awarded about a month and a half ago the contract out for that and it's expected to start pumping into the system by early fall. By February of next year the City will be at a much better place. Last year Well number 14 was opened for two and a half months and the City incurred a violation by ADEQ. It can be reopened if it's needed but he would prefer to talk to everyone and see who can water what and when. Also make an announcement on the radio and the newspaper for people to conserve water use. There is no water crisis but the City does have an infrastructure problem that is creating a problem.

Mr. Varela asked if the two wells that were closed down if they will be replaced.

Mr. Shook explained one of them has been down for two years, number 7, and was replaced by 16. The arsenic levels went from 18 parts per billion, the allowable parameters is 10 parts per billion. Now it's pumping 1,200 gallons per minute into the system at 4 or 5 parts per billion. Well 17 will pump 1,000 to 1,200 gallons per minute into the system and Well 14 will be taken completely off the system.

8. ADJOURNMENT

Ms. Ana Bernal made a motion to adjourn at 8:15 am. Mr. Victor Varela seconded the motion. Motion passed unanimously.

Respectfully submitted by

Lorenza M. Rascon
Finance Committee Secretary