

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

Thursday, April 28, 2011

5:00 pm

1. CALL TO ORDER/ROLL CALL

Meeting was called to order at 5:00 p.m.

Members Present:

Mitch Lindemann
David Caveny
Mike Nava
Victor Varela
Margaret Morales

Members Not Present:

Raul Montano
Ana Bernal (Ms. Bernal present at 6:46 p.m.)

Also Present:

Jorge Treviño, Finance Director
Curtis Shook, City Manager
Luis Pedroza, Finance Manager
Rocio Garcia, HR Analyst
Ana Urquijo, HR Director
Lorenza M. Rascon, Committee Secretary (Excused at 5:20 p.m.)
Melissa Grijalva, Account Clerk (Covered for Committee Secretary)

2. APPROVAL OF MINUTES FOR MAY 5, 2010, MAY 24, 2010, AND JUNE 3, 2010

Mr. David Caveny entertained a motion to approve the minutes as presented. Ms. Margaret Morales seconded the motion. Motion passed unanimously.

Mr. Mike Nava did not vote since he was not part of the Committee at that time.

3. PRESENTATION AND DISCUSSION ON 2011-2012 OPERATING BUDGET FOR THE CITY OF DOUGLAS

- **REQUEST FOR FUNDING DARC**

Mr. Jorge Treviño began by explaining the key points on the budget philosophy. He explained that the State Shared revenue's net decrease is of \$129, 373. The transfers from Enterprise Funds are of an additional \$107,000 for a total of \$487,000. The one time revenue that was available in Fiscal Year 2011 will no longer be available for the coming year. There has been an increase on Local Sales Tax revenue of \$150,000 and an increase of \$100,000 in Ambulance revenue. He explained that General Fund O&M has increased by 11% mostly because of increases in contractual services across most departments. The transfers to HURF have increased to \$70,000 from last year. And uniform allowance is back to 2010 budget level.

He explained that in Fiscal Year 2012 when comparing revenue to expenditures, General Fund has a negative difference of \$409, 351; LTAF has expenditures of \$15,589 which is money that had been on reserve. JCEF expenses are \$7,812 more than revenue; Airports expenses are of \$41,000 more; Sanitation are \$150,000 and Housing expenses are \$33,000 more than revenue. All other funds are balanced. Revenues total \$31,594,956 where expenses total \$32,285,962 for a net difference of negative \$657,753.

He continued by saying that the Reserve Cash Position has a current balance of \$1,558,376 as of April 26. When we add General Fund CD of \$504,996 and GADA Loan Reimbursement of \$516,975, then subtract the cash for Street Projects of \$307,921, LTAF II Restricted Cash of \$34,839, RICO Restricted Cash of \$30,000, JCEF Restricted Cash of \$87,161, revenue from the auction for Police of \$96,569 and the Debt Service on June 30, the net available balance is of \$1,399,431.

Ms. Ana Urquijo explained that in personnel issues, there are 33 full time positions vacant, 12 positions have been filled by non-permanent employees. There has been an increase in retirement costs for Police and Fire. The expenses for the position for HVAC Specialist which is a limited status position will be shared by General Fund, Water, Sewer, and Call Center. She also explained that staff is not budgeting the position of Library Director for half of the fiscal year.

Mr. Rocio Garcia continued by explaining the projected budget for General Fund. She explained that the projected revenue is of \$11,825,453 with expenditures at \$12,234,804 for a negative balance of \$409,351. The one time transfers and non-recurrent revenues are as follows: General Fund Reserve \$300,000, PW Sanitation \$300,000, Police Auction Reserve \$16,000 and Equipment Reserve \$93,351 for a total of \$709,351.

She continued by explaining the use of the one time transfers and non-recurrent revenues. She explained that Police Capital will come from the Auction Reserve in the amount of \$16,000. HRA Claims will come from General Fund Reserve in the amount of \$90,000. Liability Insurance Claims of \$50,000, Accrual Payouts of \$50,000, Contingency of \$70,000, there is a Grant Match of \$159,281, the Capital is

of \$84,057 and the transfer to HURF for O&M is of \$190,013. For a total of \$709,351.

Ms. Garcia continued by explaining that in the Visitor Center the budgeted expected museum expense is of approximately \$14,000 with a budgeted revenue of \$4,000. In Human Resources the HRA Claims budget was reduced by \$35,000. The Liability Insurance budget was reduced by \$30,000 which was distributed to other funds. In Information Technology the Maintenance Contracts increased by \$65,000 because Dell Warranty increased by \$32,000 and the System Recovery Systems and Internet Content Filters contracts increased. Also Telephone Services increased reflecting cost from Grant reimbursement.

She continued by explaining that in General Government the accrual payouts total is of \$50,000, the transfer to HURF is \$240,000 because General Fund Public Works Streets Maintenance was moved to HURF in Fiscal Year 2010. The Contingency only is at \$70,000 and \$2,150 has been budgeted for Special Events and no requests were received. She explained that from Municipal Court \$2,600 of JCEF Funds will be used for Administration of Court Expenses. Aquatics has an increase in utilities from last year of \$20,000, last year the amount budgeted was less because of the programmed closure. In Public Works Administration, the redistribution of salaries across the Enterprise Funds has created a savings of \$25,000. In Public Works Construction, the increase in DOC labor is of \$5,000 and in City Hall Maintenance is of \$6,500 because of A/C Maintenance materials. She continued by explaining that in the Police Department the Gas line item has increased by \$21,000 across all divisions. Capital is limited due to budget constraints. Revenues are limited from Special Projects for operating Capital. The total there is \$59,143. The General Fund Reserves are \$84,057. Auction Funds has \$16,000 from past auctions and staff is budgeting \$88,000 from future auctions.

Mr. Luis Pedroza continued by explaining that the projected budget in Special Revenue is \$12,643,336 with expenditures of \$12,741,738 for a net of negative \$98,402. The breakdown of the reserves is as follows; for LTAF it is \$16,589, JCEF is \$7,812, Housing is \$33,000, and Airport is \$41,000. He continued by explaining that the State revenue has been reduced by \$139,456 for HURF. Therefore only \$162,456 has been budgeted for Construction Materials. The General Fund is transferring \$240,000 to HURF and the Backhoe Lease will be shared with other funds. He continued by explaining that the City is not receiving LTAF moneys and LTAF II Restricted Cash reserve is of \$16,589. He also explained that Special Projects includes Debt payment for Fiscal Year 2011-2012 in the amount of \$874,992. The Budget also includes a transfer of \$59,143 to General Fund for small capital and \$82,719 to Golf Course for capital. The Call Center includes a debt payment for Fiscal Year 2011-2012 of \$1,084,202. Continuing with Housing, \$33,000 will be used from its reserves for capital purchases. The Grant Match amount of \$159,281 will be paid from General Fund Reserves depending on what is awarded and accepted. In JCEF funds from Reserves will be used to cover Court Administration Expenses of \$7,812. There is an expected increase in Airport

Revenue of \$11,000 and \$41,000 from Reserves will be used for Runway Improvements. Finally, in the Golf Course and Restaurant, the subsidy from General Fund will be of \$255,372 for Operating Expenses with revenue coming in of \$337,700. A transfer from Special Projects of \$82,719 will be used to cover Debt and Capital including the current lease for Golf Carts & Mowers.

He continued by explaining that the projected revenue for Enterprise Funds is of \$7,126,167 with expenses at \$7,276,167 for a net of negative \$150,000 which is the reserve amount for Sanitation. In Sanitation there is a transfer to General Fund of \$300,000 to payback the General Fund for money that has been used in the past years. The funds in Depreciation Reserves of \$150,000 is to purchase a garbage truck. In Water and Water CIP, the City is requesting an additional \$1.2 million loan for Water CIP Projects. The CIP crew is funded 60% thru Water and 40% thru Waste Water. And the NADBank Grant is of \$287,067. In Waste Water and Waste Water CIP the revenues include the scheduled rate increases. WIFA Loan Debt Service is for \$350,000, VAC Truck Lease is for \$250,000 and the Phase II Waste Water Treatment Plant Engineering is for \$750,000.

Mr. Pedroza continued by explaining that in 2011 the Sewer Model showed how total Revenue of \$1,100,000 minus total Expenditures of \$1,355,710 had a total net of negative \$255,710. This was able to be used to pay for Wages and Benefits, Operation and Maintenance, 99% of Debt but no funds were available for Capital. With the rate increase in the 2012 Sewer Model, total Revenue is of \$1,745,000 minus total Expenditures of \$1,700,686 for a net Total of \$44,314. This covers all expenses and gives a positive balance at the end.

He continued by explaining that the 2011 Water Model had a total Revenue of \$1,480,000 minus total Expenditures of \$1,544,024 for a Net total of negative \$64,024. This covers Wages and Benefits, Operations and Maintenance, Debt and 75% of Capital. In the 2012 Water Model, the total Revenue is of \$1,543,000 minus total Expenditures of \$1,824,768 for a Net of negative \$281,768. Unlike in 2011, in 2012 only Wages & Benefits, Operations and Maintenance and 86% of Debt will be funded and Capital will not be funded.

He continued explaining the 2011 Sanitation Model which gives a total Revenue of \$1,142,000 minus total Expenditures of \$1,088,286 for a Net of \$53,714. This covered Wages & Benefits, Operations & Maintenance, Debt, and Capital. In the 2012 Sanitation Model we see that total Revenue is of \$1,230,100 minus \$1,088,825 for a net total of \$141,275, almost triple from 2011 and all services will be covered at 100%.

He explained the 2011 Call Center Model. Total Revenue is \$1,399,674 minus total Expenses of \$1,499,349 for a Net of negative \$99,675. This covers all Wages and Benefits, Operations and Maintenance and 98.6% of Debt. Leaving 1.4% of Debt and 100% of Capital without funding. In the 2012 Call Center Model the total Revenue is \$1,383,965 minus total Expenses of \$1,468,965 for a Net of negative

\$85,000. This covers Wages and Benefits, Operations and Maintenance, and Debt at 100% but doesn't cover Capital.

4. FINANCE COMMITTEE MEMBER'S REPORT

- **COMMITTEE MEMBER NAVA'S REQUESTS**

Mr. Mike Nava made a request that provisions on Resolution No. 96-115 were followed to include quarterly meetings and monitoring City budget and financials among other provisions of such resolution.

No action taken.

5. MANAGER'S REPORT

NONE

6. CITY TREASURER'S REPORT

NONE

7. ADJOURNMENT

Mr. Mitch Lindemann motioned to adjourn at 6:51 p.m. Mr. David Caveny seconded the motion. Motion passed unanimously.

Respectfully submitted by

Lorenza M. Rascon, Committee Secretary