

**MAYOR AND COUNCIL
SPECIAL COUNCIL/FINANCE COMMITTEE JOINT MEETING
- JUNE 02, 2026 AT 5:30 PM**



MINUTES

JOINT CITY COUNCIL/FINANCE COMMITTEE SPECIAL MEETING

The City of Douglas Mayor and Council met in a Special Joint Meeting on Tuesday, June 2, 2026, at 5:30 p.m., at City Hall Council Chamber, 425 10th Street. The Honorable Mayor Jose Grijalva called the meeting to order.

1. **CALL TO ORDER:** Mayor, Jose Grijalva
2. **CALL TO ORDER:** Chair, Ida Pedrego
3. **ROLL CALL:** Mayor, Jose Grijalva

	<u>PRESENT</u>	<u>ABSENT</u>
MAYOR, JOSE GRIJALVA	X	
COUNCILMEMBER, IDA PEDREGO	X	
COUNCILMEMBER, JOSE MONTANO	X	
COUNCILMEMBER, GUSTAVO DURAZO JR.	X	
COUNCILMEMBER, RAY SHELTON	X	
COUNCILMEMBER, MARIA DILLMAN	X	
COUNCILMEMBER, RICHARD C. ACOSTA	X	
CITY MANAGER, ANA URQUIJO	X	
CITY ATTORNEY, NICK COOK	X	
CITY TREASURER, ALEJANDRO MARTINEZ	X	
CITY CLERK, ALMA ANDRADE	X	

4. **ROLL CALL.** Chair, Ida Ann Pedrego

	<u>PRESENT</u>	<u>ABSENT</u>
CHAIR, IDA ANN PEDREGO	X	
MS. DANITZA MORENO	X	
MS. KATHLEEN GOMEZ	X	
MS. ELISA WATSON	X	
MR. PETE CORDOVA	X	
MS. TERRY DILLMAN	X	
MR. ALEJANDRO MARTINEZ	X	
MS. ANA URQUIJO	X	

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

Ms. Andrade stated no public participation forms were submitted.

6. **PRESENTATION/DISCUSSION.**

- A. **BUDGET PRESENTATION for FISCAL YEAR 2026-2027.**

Ana Urquijo provided background and formally submitting the Fiscal Year 2026–2027 Operating and Capital Budget for the City of Douglas. She described the budget as a continuation of a multi-year approach now in its fifth year grounded in principles of sustainability, efficiency, and strategic alignment, with an emphasis on responsible fiscal management while guiding targeted investments in support of the Council's vision. She noted that the city's priorities

over the past five years have centered on infrastructure, downtown revitalization, managed growth and annexation, economic development, community amenities, tourism and special events, and transportation and roadway improvement. Ms. Urquijo characterized the budget as balanced, conservative in its revenue assumptions, but trending positively and slightly higher than the previous year. She stated that the budget maintains the city's commitment to sound fiscal management by supporting ongoing operations with recurring revenues and reserving fund balance for capital projects, strategic investments, and one-time initiatives advancing Douglas Vision 2032. She thanked department directors, the leadership team, and the budget team for their collaborative effort, and expressed appreciation to the Mayor and Council for their continued vision and leadership.



Mayor & Council and Finance Committee
Joint Session FY 26/27 Budget
Presentation

June 2, 2026



GG Cash Balance: \$18,391,781		Fund Balance: \$2,535,871	
Restricted Cash		Strategic Investments (\$1) 1M (original)	
Alex Black Fund	178,895	Council Special Projects (150,000)	135,500
Capital projects from fund balance	2,514,281	Vision 2032 (200,000)	63,814
PSPRS Bond Reserve	3,439,219	Strategic Investments (150,000)	350,000
Police Savings for Trainees	102,306	ISP Strategic/Towers Assessment (100,000)	100,000
Court Fines Officer Equip.	25,351	R&G Club Seed money (200,000)	0
Police Forfeiture funds	171,416	Total restricted	649,314
Golf Improvements (B&P Ages sale)	104,716		
Grant matches (SSAA, S&S, ADOT OT, Fire)	1,035,741		
Transfers	205,256		
45 day operating reserve (policy)	2,376,843		
Emergency capital reserve (policy)	2,181,150		
Debt reserve (policy)	3,261,000		
Total Restricted	\$15,855,910		

Fund Balance after SI: \$1,886,556
FB after 1.5M Floor: \$386,556



Alejandro Martinez opened the presentation with a review of the city's current cash position. He reported that the general government cash balance as of May stood at \$18,391,781. He proceeded, at Mayor Grijalva's request, to walk through each restricted line item in detail so that newer members of the governing body would have a thorough understanding ahead of subsequent deliberations.

Mr. Martinez identified the following restricted funds: the Alex Black Fund, explained by Ms. Urquijo and Mr. Pedroza as a testamentary donation restricted to assisting the families of fallen or injured firefighters with medical expenses; capital projects pending in the amount of \$2,514,281; a PSPRS reserve to cover any unfunded liability in the fire and police pension systems; a police savings account for trainee recruitment costs; a court fines officer equipment fund; a police forfeiture account; \$104,000 remaining from the proceeds of the sale of the Rancho La Perilla apartments, directed by Council to the golf course; \$1,035,741 in grant matching funds; \$205,000 in pending general fund transfers covering subsidies to transit and the golf course; and three policy reserves a 45-day operating reserve of \$2,376,000, an emergency capital reserve of \$2,181,000, and a debt service reserve representing twelve months of debt payments at \$3,261,000. Total restricted cash was reported at \$15,855,000, leaving an unrestricted fund balance of \$2,535,871.

Mr. Martinez further noted that \$649,314 remained to be restricted from the original \$1,000,000 strategic investment allocation made in the prior fiscal year, which had been divided among council special projects (\$150,000), Vision 2032 strategic investments (\$350,000), IT improvements (\$100,000), and Boys and Girls Club funding (\$200,000). Accounting for this remaining obligation and the city manager's established \$1,500,000 minimum fund balance floor, the true available fund balance was \$386,556.

Finance Committee Member Moreno inquired whether the city's cash was being invested. Mr. Martinez confirmed that funds are held in the Local Government Investment Pool (LGIP), administered by the State Treasurer, which pools municipal funds for safe investment. Mr. Pedroza noted that the current rate of return was approximately two to three percent, down from a high of five percent in prior years. He explained the statutory constraints governing municipal investment, noting that the city cannot engage in high-risk or long-term investments beyond one year, with the exception of certain long-term LGIP instruments used for the debt reserves. Mr. Martinez noted that LGIP has the advantage of full liquidity, allowing the city to draw funds within one day. Ms. Urquijo added context, noting that LGIP rates have declined significantly and that this dynamic is addressed in the budget memo.

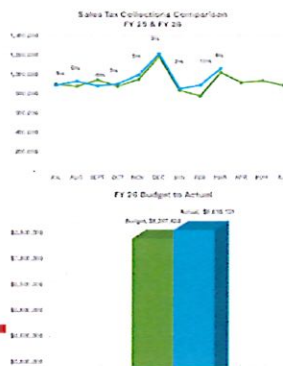
Finance Committee Member Gomez asked whether the city had the ability to seek returns from other investment sources beyond LGIP. Mr. Pedroza confirmed that short-term CDs had been used in the past and that the LGIP also offers longer-term options for funds such as the debt reserve that must remain untouched for years, often yielding one to two percent above the standard pool rate.

FY 25/26 Overview

Sales Tax is 4% or \$328,330 Above Budget Projections as of March 2026

Sales Tax is 3.1% or \$256,344 above from Last Year's Actual Collections as of March 2026

Projecting to end FY26 in a surplus



FY 26/27 GF Revenue

State Shared Revenue

- Sales tax: \$2,377,851 (\$2,410 less than last year-subject to change)
- Income tax: \$3,328,518 (\$246,122 more than last year-subject to change)
- Vehicle License Tax: \$1,073,978 (\$34,001 more than last year-subject to change)

Local Sales Tax

- \$11,500,000 (\$500,000 more than last year- same pace as this year)

Sale of Real Property

- Property surrounding airport- Phased transaction
- Expected to yield \$247,000 to be used for Sewer Improvements to the site

Other Revenue

- Investment Earnings \$400,000, a decrease over last year of \$200K
- Ambulance revenue \$950,000 (\$200,000 less than last year)



Mr. Martinez reported that local sales tax collections through March were running four percent over budget projections, equating to \$328,330 above projections, and 3.1 percent over the same period in the prior year, or \$256,344. He stated that the city was projecting a general fund surplus in revenues versus expenses for Fiscal Year 2026. He noted that bar graphs included in the presentation illustrated the favorable comparison between current year collections and both prior year actuals and budget targets.

Ms. Urquijo directed the body's attention to a handout distributed at the meeting, noting it was a supplemental document prepared to correct a comparison that had not been presented on a true apples-to-apples basis in the memo issued the prior week. The handout showed permitting activity, both residential and commercial, reflecting a thirty percent increase over the prior fiscal year, and she indicated this information would be incorporated into the revised version of the budget memorandum submitted for tentative adoption.

Projected Revenue for Fiscal Year 2026–2027

Mr. Martinez presented the projected revenues for the upcoming fiscal year. He noted that the state-shared revenue numbers had been updated just prior to the meeting and would change slightly but favorably by more than \$70,000 in the general fund, meaning the figures on the slide were not fully current as of that evening. He stated that the figures represented the most recent projections from the League of Cities and Towns and were not expected to change further.

On local sales tax, the city projected \$11,500,000 an increase of \$500,000 over the prior year's projection of \$11,000,000 consistent with the current year's pace of \$11.3 to \$11.4 million. He noted that the city had pending property sales, primarily parcels surrounding the airport, projected to yield \$247,000, which would be used primarily for sewer improvements on that site. He also noted a projected decrease in investment earnings from \$600,000 to \$400,000, attributable to declining LGIP rates and the use of fund balance to fund capital projects.

Council Member Montaño asked where the RAISE Grant funds were reflected in the budget. Mr. Pedroza clarified that the RAISE Grant is a \$23,500,000 reimbursable award managed through ADOT. The city would not see the grant funds directly in its coffers but would manage the project alongside ADOT. He noted the project was currently in the design consultant selection phase, with one year remaining in the design process before construction could begin. Mr. Martinez confirmed that the cash position slide reflected only funds currently held by the city, and reimbursable grants such as RAISE are not included.

Finance Committee Member Gomez asked for clarification regarding the use of the airport property sale proceeds for sewer improvements. Mr. Pedroza explained that the first parcel to be purchased by the developer presented an opportunity for the city to route sewer infrastructure in a manner that would benefit existing residents on 9th Street between Van Buren and Airport Park twenty homes who are not currently connected to city sewer. He stated that the city and the developer had a mutual interest in the routing, as it allows both parties to share costs while simultaneously connecting those residents. He confirmed that a thirty percent design had been completed but that homeowners had not yet been formally approached pending finalization of the property sale.

Council Member Montaño confirmed he had spoken informally with some of those residents and that they expressed interest in connecting to city sewer. Chair Pedrego asked how many homes were involved, and Mr. Pedroza confirmed twenty. Finance Committee Member Gomez asked whether the profit from the land sale would fully fund

the sewer work rather than requiring homeowners to fund it independently, and Mr. Pedroza confirmed that was the city's intent.

Finance Committee Member Moreno inquired how long it would take to recover the investment and whether homeowners had confirmed their intent to connect. Mr. Pedroza stated that the connection fee is established by state law at \$2,100 per home, with a monthly sewer service fee of \$28, and that the return on investment calculation could be prepared for a subsequent meeting. He acknowledged that formal outreach had not yet occurred pending the land sale. He also noted the environmental benefit of removing septic systems from the area.

Chair Pedrego asked whether the sewer extension would proceed if the land sale did not close. Mr. Pedroza confirmed it remained in the city's plans regardless of the sale, though alternate funding would need to be identified. Mayor Grijalva expressed that connecting residents who are already part of the city to basic municipal services should be considered a strategic investment, noting it was difficult to pursue annexation while failing to serve existing constituents. He suggested the remaining balance from the current fiscal year's strategic investment allocation as a possible funding source. Ms. Urquijo agreed this could be discussed as a future agenda item, noting that the first tranche of strategic investment funds from the current budget cycle had not been fully expended and could potentially be carried over for this purpose.

Mr. Pedroza clarified that the \$2,100 impact fee is a statutory obligation and must be charged upon connection regardless of circumstances, though he acknowledged there may be ways to work with owners on that process.

FY 26/27 Major & Notable Changes in O&M

Changes in Expenditures

- Overall general fund expenditure shows an increase of 2%.
- Inflation, gas
- COLA, minimum wage increase and Transit
- Most departments experienced an average increase of 1.83%
- Transit subsidy - \$217,070 (up from \$181,075 in FY2025)
- Golf subsidy - \$328,770 (up from \$278,075 in FY2025)
- Other Major Expense Increases
 - Finance- Due to new AP software
 - Police Administration- 911 system due to state change
 - City Clerk - election
 - Development Services- Cochise County building inspection support
 - Aquatics- Higher maintenance costs
 - Recreation- Increase in programming and special events



FY 26/27 General Funds Highlights



Mr. Martinez reported a two percent increase in general fund expenditures compared to the prior fiscal year. He attributed this increase to several factors, including inflation, increased fuel costs, a cost-of-living adjustment, minimum wage increases, and an adjustment in transit wages. He noted that the average departmental expenditure increase was 1.83 percent. He identified the following notable expense increases: the transit subsidy increasing from \$181,000 to a projected \$217,000; the golf course subsidy also increasing over the prior year; the finance department implementing new accounts payable software; police administration absorbing costs from a state-mandated change to the 911 system; the city clerk's office incurring additional costs due to the election year; development services increasing due to expanded support from Cochise County for building inspections; the aquatic center experiencing higher maintenance costs associated with the pools; and the recreation department incurring additional costs due to expanded programming and special events.

Finance Committee Member Gomez raised the recent closure of the aquatic center during Memorial Day weekend due to pool chemistry issues, asking whether the city had a qualified contractor in place for pool maintenance and adequate chemical supplies. Ms. Urquijo confirmed that a contractor is in place and explained that the Memorial Day closure resulted specifically from a pump system failure that required parts to be ordered from Florida, leading to a two-week delay. She noted that the large pool is maintained year-round, while the baby pool is fully drained and refilled at the start of the season. She explained that without working pumps, the water in the large pool became stagnant and required time to recirculate and return to proper chemical balance. She confirmed the pool was nearly ready to open by that Friday, alongside two side projects of the installation of additional shade structures and securing a structural addition related to the diving board.

Mayor Grijalva suggested that the city consider ordering backup pump parts to avoid a similar multi-week delay in the future. Chair Pedrego and other members agreed, and Ms. Urquijo indicated staff would make efforts to stock

typical replacement parts going forward. She also noted that upgrades to the pump system were being considered. Finance Committee Member Gomez reinforced that the contractor should proactively advise the city of equipment needing upgrade or replacement before failures occur, particularly given the revenue impact of closures during peak summer season. Ms. Gomez noted that the city charges approximately one dollar to one dollar and fifty cents for pool admission and that maintaining facility quality is critical to generating that revenue.

Council Member Dillman asked whether Sierra Vista and Bisbee contribute financially to transit routes serving their areas. Ms. Urquijo explained that the city operates its transit system under contracts and currently has formal partnerships with Cochise College, Freeport McMoran, and SEAGO, but not with Sierra Vista. She committed to providing a ridership profile showing stop-by-stop utilization. Finance Committee Member Gomez noted that a countywide transit meeting had identified a significant deficit across transit operations and recommended that the city approach Cochise College to renegotiate its \$23,000 annual contribution given ridership levels, approach hospitals receiving patient drop-offs for some form of financial participation, and formally approach Sierra Vista for a partnership contribution given the stops made there. Mayor Grijalva endorsed this position, noting that Cochise College was the only current partner contributing anything and that it was inequitable for Douglas taxpayers to subsidize transportation to institutions that pay nothing.

FY 26/27 GF Highlights

Classification Maintenance Reviews

- Does not include a comprehensive market increase
- Addresses Transit Driver Classification - \$16,400 cost

Cost of Living Adjustment

- Includes a 3% COLA for all non-minimum wage positions



FY 26/27 GF Highlights - Continued

Staffing

- Requests to make limited status positions permanent; these will be evaluated next fiscal year to determine its sustainability.
- Limited Status Admin Assistant in PW to allow Admin Asst/Permit Technician to remain in Development Services using:
 - Vacancy from Environmental Specialist
 - Reduced Annexation Assistant to Part-time
 - Vacancy from 10hr per week Building Specialist



FY 26/27 GF Highlights

\$750 ONE TIME BONUS

- GF \$160,000

Minimum Wage Expected to Increase in January 2027

- State looks at CPI in August for the last 12 months to set new minimum wage
- Looking at April CPI, at least a 2.5-3% increase is expected which translates to \$15.50 - \$15.69



FY 26/27 GF Highlights - Continued

Health Insurance

- Self-Funded Insurance for 12 Years - Built \$2.4M in reserve
- Use of Reserve for Unexpected Additional Increases and/or High Claims
- This budget includes a 0% increase for health insurance premiums to the employee. The performance of the self-insurance fund remains strong and allows rates to remain flat for the new fiscal year:
 - Employee only \$650 (all covered by the City)
 - Family coverage \$1,535 (\$485 employee contribution, \$1,050 by the City)



Rocio Garcia-Pedroza presented the personnel component of the budget. She stated that no comprehensive market adjustment was included this year. However, one targeted classification adjustment was proposed for transit drivers, whose starting wages are significantly lower than those offered by the Douglas Unified School District, resulting in attrition. The adjustment would cost \$16,400 and would be accompanied by a wage differential rule change proposed for the Council's consideration at the June regular meeting.

For all other employees, Ms. Garcia-Pedroza recommended a three percent cost-of-living adjustment (COLA) for all non-minimum wage positions, noting that minimum wage had increased by at least two to three percent annually in recent years and that the last COLA for city employees had been just one percent. The general fund cost of the three percent COLA was stated at \$306,000.

Prior to the meeting, Mayor Grijalva and Ms. Urquijo had identified an opportunity enabled by the \$71,872 in additional state-shared revenues received before the meeting to provide a supplemental two percent increase for entry-level first responders. Ms. Urquijo presented the breakdown: \$33,000 for entry-level police officers and

\$30,200 for the fire bargaining unit, including engineers and leads. This left a remainder of approximately \$8,600 from the additional revenues.

Mayor Grijalva also raised the possibility of excluding directors and employees in pay range 33 and above from the three percent COLA in the current year, with a plan to address those classifications in the following fiscal year. Ms. Garcia-Pedroza confirmed that this would generate a savings of approximately \$42,000. Ms. Urquijo explained that this savings, combined with the additional state revenue and the supplemental first responder increases, would result in a nearly balanced position and could also address the Thanksgiving bonus.

Council Member Acosta expressed concern about reducing the annual Thanksgiving distribution from \$1,000 to \$750, stating that employees look forward to this and that maintaining morale among the city's workforce is important. Ms. Garcia-Pedroza confirmed she would run the numbers to see whether the full \$1,000 distribution could be restored, noting that the decisions around fire and police supplemental increases, the range-33-and-above COLA savings, and the additional state revenue could collectively result in a net-neutral outcome. Ms. Urquijo confirmed that the \$50,000 needed to restore the bonus from \$750 to \$1,000 could effectively be covered by those components. Mayor Grijalva noted that if necessary, the bonus could also be drawn from the strategic investment fund as it is a one-time expenditure, not a recurring operational cost.

Chair Pedrego expressed the view that a permanent wage increase is ultimately more beneficial to employees than a one-time bonus, as raises have lasting impact. Council Member Acosta acknowledged the value of the raise but maintained the importance of the bonus for near-term morale.

Finance Committee Member Moreno asked how the bonus is distributed. Ms. Garcia-Pedroza explained that it is prorated based on each employee's length of service over the prior year: full-time employees who have been with the city a full year receive the full amount, while those who worked part-time or started later in the year receive a proportionate amount, with a minimum of \$500 for part-time employees.

Ms. Garcia-Pedroza noted that the state minimum wage for January 2027 would again increase, with the consumer price index data from August used to determine the new rate. She estimated, based on April CPI data, that the minimum wage would rise by two and a half to three percent, likely reaching \$15.50 to \$15.60 per hour or higher depending on subsequent inflation data.

On staffing levels, Ms. Garcia-Pedroza reported that several divisions had requested the conversion of limited-status positions to permanent status, but that no conversions would be recommended this cycle. Those positions would be evaluated in the next fiscal year for sustainability. She noted one structural adjustment being made within existing resources: reassigning an administrative assistant position to Public Works to allow a permit technician to remain in Development Services, funded by a combination of a vacancy in an environmental specialist position and the reduction of an annexation assistant from full-time to part-time, which was already the operational reality. She confirmed no employees were having hours cut.

On health insurance, Ms. Garcia-Pedroza reported that the city's self-funded medical insurance plan had built a \$2,400,000 reserve over recent years, which can only be used for claims. She was pleased to report a flat renewal recommendation for the coming fiscal year, meaning no increase in premiums for either the city or employees.

Ms. Urquijo noted that the city had been working with its firefighter union on a compensation request that had been delayed one month pending receipt of state revenue projections. She expressed hope that, with the additional revenues now confirmed, the supplemental adjustments for fire and police could be incorporated into the tentative budget adoption on June 10, 2026.

Chair Pedrego raised the question of turnover in fire and police. Ms. Urquijo noted that a significant quality-of-life improvement for fire was implemented the prior year through a transition from a 24-on/24-off schedule to a 48-on/96-off schedule, which has been well-received and has aided retention. She also noted the city had expanded support for firefighters through pre-cancer screenings and other programs. On police, she acknowledged the city was competing with federal agencies and the sheriff's office on compensation and that it was a constant challenge to remain competitive at entry-level positions, as evidenced by officers leaving for better-paying federal positions. Mayor Grijalva noted that the incoming police chief search made it especially important to maintain staff morale.

Chair Pedrego raised concerns about mold conditions at the building on 7th Street that houses Workforce and asked whether the Rivera Building could be a candidate to house those operations, noting the existing building lacked space for job fairs and that the Rivera Building was larger and owned by the city. Ms. Urquijo explained that the Rivera Building is currently undergoing a Phase 2 brownfield environmental assessment, and that the next step would be an environmental clearance, after which interior remodeling could be considered. She confirmed that HVAC, wall, and mold issues at the 7th Street location had been addressed as they arose. Mayor Grijalva noted that the Workforce office had held a job fair there and had been forced to set up outside on the sidewalk in the heat, and expressed the city's intent to accommodate them better if possible.

Available Capital Revenue

Mr. Camacho presented the available capital revenue for the upcoming fiscal year. The sources identified were: \$654,000 in freed-up grant matching funds, \$104,000 from the golf course carryover, \$386,000 in fund balance above the \$1,500,000 floor, \$1,200,000 from the Raul Castro Port of Entry renovation project revenue, less \$120,000 for a new grant match resulting in a total of approximately \$2,200,000 available for capital expenditure recommendations.

Mayor Grijalva took the opportunity to express pride in the progress at the golf course, noting the completion of the back nine improvements and the planned investment of approximately \$1,000,000 in the front nine. He referenced plans to improve the bar and kitchen areas, install televisions, and create a more versatile venue for social events and celebrations of life. He mentioned rebranding discussions with the Municipal Property Corporation (MPC) and expressed hope that the facility would look significantly different by the end of the following year.

Council Member Shelton suggested the addition of a round gazebo in the area where the pool formerly stood, to accommodate weddings and receptions. Mayor Grijalva asked staff to obtain a price estimate for the gazebo before Council Member Shelton's term concluded in December, and Council Member Durazo expressed a preference for a round design over a square one. Chair Pedrego recalled that the facility had historically hosted wedding receptions.

Capital Detail for Fiscal Year 2026–2027

Mr. Camacho reported that departments had submitted 89 capital project requests totaling \$10,100,000. After a prioritization process in which each department ranked its needs by criticality to operations, staff recommended approval of 45 projects approximately 51 percent of total requests compared to only \$586,000 in capital from the prior fiscal year. He noted this represented a significantly more robust capital year.

Among notable items discussed, Council Member Montañó asked about the transit fund's request for a 40-passenger bus. Ms. Urquijo and Mr. Pedroza clarified that this was a replacement for an existing bus with over 500,000 miles and that the match is charged upfront when the order is placed, even though the bus would not arrive for one and a half to two years. Mr. Pedroza noted that retired buses remain in service as backup vehicles until ADOT releases the lien, at which point they can be auctioned.

Finance Committee Member Moreno asked whether the city had data on grant revenue generated by developers. Mr. Martinez indicated this information would appear in the enterprise and special revenue fund sections of the presentation.

Finance Committee Member Gomez asked whether airport capital improvements included an Automated Weather Observing System (AWOS) station, which affects the airport's ability to receive flights at night. Ms. Urquijo confirmed this was included at a cost of \$100,000, along with PAPI runway lights, and explained that the absence of a functioning AWOS sometimes forces nighttime lifeline flights to divert to Bisbee Douglas International Airport (BDI).

FY 26/27 Enterprise Funds Highlights

WATER

Revenue

- Projecting \$59,279 increase due to fully implemented increases

Capital

- Recommend use of Fund Balance

• Reservoir Roof	\$400,000
• Utility Locator (50%)	\$ 3,500
• MI Nodes and Hangers	\$37,000
• 16" Geronimo Trail Transmission Line (Grant Match)	\$79,509
• Remote Disconnect Meters (200)	\$58,500
• Valve Replacement & Hydrant Battery Operator	\$ 14,000
• POE Well (Grant Match)	\$281,651



FY 26/27 Enterprise Funds Highlights

Water- continued

Grants

- POE Grants: \$20.7M from State and County ARPA, Army Corps 5954, NADBank BEIF, WIF and seeking State Appropriation and CDS
- \$1.6M WIFA Grant for Well 18
- \$300,000 from EPA for SCADA
- \$12,500 WIFA Geronimo Trail Transmission Line and Reservoir Roof Design



FY 26/27 Enterprise Funds Highlights

SEWER

Revenue

- Projecting \$118,867 increase due to fully implemented increases.

Capital

- PER Effluent 30% Design - \$45,886
- 20th and 23rd Street Sewer - \$500,000
- ROW Acquisition of Commerce Way/Kings Hwy for POE Sewer Alignment - \$150,000
- SCADA - \$115,000
- Ox ditch Mixer - \$70,000
- Trash Pump - \$35,000
- Utility Locator (50%) - \$3,500



FY 26/27 Enterprise Funds Highlights

Sewer - continued

Grants

- \$12.1M in State ARPA and seeking State Appropriation for continuing construction of the POE service area
- \$350,000 request through NADBank PDAP for WWTP Hood mitigation design grant



FY 26/27 Enterprise Funds Highlights

Sanitation

Capital

- 96 & 300 Gallon Cans \$25,000

Other Initiatives

- A rate study for will be carried over to study rates that have not been updated since 2011
- Continue and Explore recycle/freeze Programs
- Tipping fees to increase from \$64/ton to \$68/ton
- Seeking \$750,000 grant for microplastics recycling to sell processed plastics for manufacturing of housewares and athletic protective equipment
- Using \$20,555 of fund balance to balance



FY 26/27 Special Revenue Funds Highlights



Mr. Pedroza presented the three enterprise funds; water, sewer, and sanitation.

Water Fund: Mr. Pedroza projected a revenue increase of \$59,279, or five percent, representing the final year of implemented rate increases under the city's five-year plan. He noted that the water fund required the utilization of \$867,160 in reserves to fund capital projects, including: the reservoir roof on Geronimo Trail (design already completed); a shared utility locator with the sewer fund (\$3,500 water share); node and hanger replacements for the automated meter reading system; completion of design for the Geronimo Trail transmission line replacement (\$79,509 match); replacement of 200 meters with remote disconnect meters (RDMs) capable of being turned on or off remotely; general valve replacement and hydrant battery operator (\$14,000); and a \$281,651 match for a well being drilled at the port of entry through a Section 595 grant.

Mayor Grijalva suggested the city consider a modest incremental water rate increase of ten cents rather than allowing the fund to accumulate a deficit that would necessitate a large increase later, as had occurred with the prior five-year plan. He asked staff to return with a revenue projection showing the impact of a five-cent increase each for water and sewer. Mr. Pedroza acknowledged the fund's financial stress, noting that significant cuts to operations had been made to balance it, and supported the concept of a rate study. Ms. Urquijo suggested that an algorithm could be developed to implement annual incremental adjustments that never exceed what a formal rate study would recommend.

Chair Pedrego raised the prior representation made when the remote meter reading system was adopted, in which it was stated that operational savings would result. Mr. Pedroza clarified that while the original efficiencies were realized, the operational demands had shifted to maintaining the electronic node network, which itself requires ongoing maintenance. He noted that water delivery and treatment costs continue to increase with aging infrastructure regardless of metering technology.

Council Member Acosta described a recent conversation with water technicians working near the tanks and referenced recent valve failures on 15th Street, emphasizing that the infrastructure was old and that long-term fixes rather than short-term patches were necessary. Mr. Pedroza echoed this, noting a significant main break near St. Luke's Church that had cascading effects on the wider system, underscoring the age and fragility of the underground infrastructure. Council Member Montaño referenced a prior presentation by Sustainability Partners firm that offered large infrastructure projects with a ten-percent annual payback model that includes ongoing maintenance a model he suggested revisiting.

Finance Committee Member Gomez and Chair Pedrego emphasized the importance of proactive public communication regarding the reasons for any future rate adjustments.

Mr. Pedroza also noted capital grant work totaling \$20,700,000 related to port of entry water infrastructure, drawing on ARPA, Army Corps Section 595, NADBank, and WIFA funding, some already secured and some still in progress. He also referenced a \$1,600,000 carryover for Well 18 and \$300,000 from the EPA for the SCADA system completion.

Finance Committee Member Moreno asked whether the SCADA items for water and sewer were different systems. Mr. Pedroza confirmed they were distinct; the water SCADA had been a \$2,400,000 project now nearly complete with \$300,000 remaining, while the sewer system was receiving an upgrade to its existing monitoring infrastructure.

Sewer Fund: Mr. Pedroza reported a projected revenue increase of \$118,000 due to the five-year rate implementation, noting the sewer fund was in healthier condition than the water fund. Capital expenditures totaling \$500,000 were planned from reserves for sewer infrastructure in the 20th and 23rd Street annexation areas, where design was currently underway. Additional planned items included: completion of the 30 percent preliminary engineering report (PER) for effluent reuse a \$15,000,000 long-term project that would convey treated wastewater to the golf course and parks for irrigation; \$150,000 for right-of-way acquisition on Commerce Way and Kings Highway; an upgraded SCADA system for the wastewater treatment plant (\$150,000); an auxiliary stitch mixer (\$70,000); a new trash pump (\$35,000); and a shared utility locator (\$3,500 sewer share). He also noted \$12,100,000 in pending grant applications and a \$360,000 NADBank PDAP request for flood mitigation design protecting the wastewater treatment plant, which is located in the flood zone.

Sanitation Fund: Mr. Pedroza noted that the city had not raised sanitation rates since 2011 and that the fund continued to require the use of savings to balance operations with \$20,595 drawn from fund balance this year. A rate study was being carried over for funding in the new fiscal year. He reported an increase in tipping fees from \$64 to \$68 per ton that would impact operational costs. The city was continuing to explore recycling and reuse programs, including free branch and Christmas tree chipping.

Neighbor

Mr. Pedroza described a \$750,000 grant application being prepared by the city for a microplastics recycling program that would process plastics into pellets for resale to manufacturers of housewares and athletic protective equipment. He indicated the project would be sited near the wastewater treatment plant and that the grant budget includes approximately \$600,000 for equipment and the remainder for staffing, with approximately 2.5 FTEs projected for year one. Ms. Urquijo noted that a \$250,000 startup cost for the palletization operation had been included in the budget as both a revenue and expense placeholder to reserve capacity should the grant be awarded.

Chair Pedrego asked whether the program would create jobs. Mr. Pedroza confirmed approximately three FTEs for the recycling operation, with potential for additional jobs through the manufacturing business.

Finance Committee Member Moreno raised environmental impact and permitting. Mr. Pedroza confirmed that the project would require full permitting through ADEQ covering all by-products and effluent from the processing cycle. Mayor Grijalva noted that the grant was being supported in part because the process uses repurposed water, not drinking water, and pointed to a similar operation at ASU in Phoenix as a precedent.

Finance Committee Member Gomez urged staff to be thoroughly prepared for public opposition, citing the experience of a \$35,000,000 industrial project in Benson that was abandoned due to community and legal pressure over perceived environmental risks. She recommended a robust communication and public relations plan be developed in advance to address concerns based on facts rather than emotion. Council Member Montaño raised questions about the planned siting and whether appropriate industrial zoning was in place. Ms. Urquijo confirmed the site near the wastewater plant was industrially zoned.

Following a short recess, the meeting continued.

FY 26/27 HURF Highlights

HURF

- ✓ **Fund Status:** Balanced – Using \$1,148,916 from fund balance for streets & SS4A match
- ✓ **Revenue:** \$1,664,477 (↓ 1% from prior year)
- ✓ **Key Projects**
 - **Asphalt Plant:** Nearly complete → Operational July/August 2026
 - **SS4A Study:** Kicked off, 1 year study for safer streets/sidewalks with public input (HURF match: \$91,983)
- ✓ **Recommended Spending**
 - Streets Work: \$734,969
 - Solar LED Lights: \$70,000
 - Construction Materials: \$90,000
 - Equipment Trailer: \$75,000
 - Dump truck: \$300,000

FY 26/27 Golf Highlights

GOLF

- ✓ **Back 9 Improvements:** Completed this year • New grass grow-in progressing well • Opening Summer 2026 → Increased play & revenue
- ✓ **Front 9 Rehabilitation:** • Design 50% complete • Includes new lake (reservoir + aesthetics) • Projected Cost: \$1.3M (funded)
- ✓ **Financial Highlights**
 - **Revenue:** +29% (+\$115,835) due to increased play, events, and upcoming Back 9 opening
 - **MPC Management Contract:** Increased to \$302,400 (from \$212,400) – Due to MPC hiring 2.5 laborers + minimum wage adjustment
- ✓ **Capital Funding Requests**
 - **Recommended:** • Lease new Rough Mower • Food service expansion (\$25,000 – stove, tables & chairs) • Put a barn for equipment (\$120,000)
 - **Other Requests (Unfunded):** • RV Park repaving
- ✓ **Leftover funds from La Perilla Apartments Sale** to be carried over to use for Capital

Mr. Martinez introduced the special revenue funds, which include HURF (Highway User Revenue Fund), golf, transit, and grants.

HURF: Mr. Martinez reported that the city anticipated using just over \$1,100,000 from reserves to support HURF-related activities, noting that the state revenue projections received just before the meeting had increased that fund's revenue by approximately \$14,000. He highlighted the asphalt plant as a major project, noting it had gone vertical and was anticipated to begin operations in July or August of the current year.

Finance Committee Member Gomez asked whether formal discussions had occurred with Cochise County regarding using the city's asphalt for county road maintenance projects, noting that a certain grade and quality standard would need to be met for ADOT compliance. Mr. Pedroza indicated that informal interest had been expressed when former County Engineer Jackie Watkins was in the role, but that formal outreach had not yet occurred following her departure and the appointment of County Administrator Jason Facio. Ms. Gomez offered to help facilitate a meeting with Mr. Facio.

Recommended HURF spending included: streets work totaling \$734,969; solar LED lighting projects at \$70,000; construction materials at \$90,000; an equipment trailer at \$75,000; and a dump truck at \$300,000.

Finance Committee Member Gomez flagged the potential risk of a state legislative effort by Senator Warren Peterson to introduce a rider redirecting gas tax revenues in a way that could reduce HURF distributions to counties and cities by approximately thirty percent, and urged the body to monitor this development. She also raised the issue of wear and tear on Geronimo Trail from commercial activity and indicated she intended to approach the relevant company about contributing to road maintenance, inviting Mayor Grijalva to participate in that conversation.

Council Member Montaño raised the issue of neighborhoods in his ward with homes eighty to ninety years old that lacked sidewalks and curbing, describing the visual disparity between developed and undeveloped blocks as stark. He noted that these areas do not qualify for CDBG funding under the new eligibility maps, meaning they have no current path to improvement under existing programs.

Ms. Urquijo acknowledged the issue and proposed that staff return to Council with a presentation mapping sidewalk completion and gaps, identifying priority areas, and attaching a cost estimate by linear foot. She noted that materials-only cost for one block of curb and sidewalk had been estimated at approximately \$13,000. She suggested that funds from the Vision 2032 strategic investment or mayor and council projects line items could potentially be allocated toward filling HURF gaps for sidewalk work. Mayor Grijalva expressed opposition to the

existing sidewalk program structure, in which some residents receive sidewalks paid for by the city while others are required to pay out of pocket, calling it inequitable. He proposed eliminating the pay-for-your-own program in favor of a consistent citywide approach.

Chair Pedrego and Council Member Montaño both highlighted the disparity visible in some areas where sidewalk and curbing simply end abruptly, leaving neighboring streets without any infrastructure. Ms. Urquijo noted a new striping machine had been acquired and was being put to increasing use. Finance Committee Member Gomez called attention to visibility issues on certain streets, particularly at night, and requested that reflective striping be considered. She also encouraged the city to communicate anticipated asphalt plant operations and expected street repair timelines to the public, noting that the condition of 10th Street was a frequent complaint from visitors.

Mr. Pedroza clarified the RAISE grant will cover 10th Street, G Avenue, F Avenue, Pan American Avenue, Chino Road, and 3rd Street; all commercial routes. Finance Committee Member Moreno asked about the timeline for the asphalt plant becoming operational versus the Safe Streets for All (SS4A) study that had received a preliminary grant award of \$90,000. Mr. Pedroza clarified that the asphalt plant would begin operations independently without waiting for the SS4A study, but that the study would complement the RAISE Grant design process by making ADA compliance and multimodal transportation recommendations that would be built into the construction documents for those streets. He noted the city could begin using HURF funds for street work in non-RAISE corridors immediately upon plant operations commencing.

Golf Course: Mr. Martinez reported that back nine improvements were completed during the current fiscal year, with the back nine anticipated to open that summer. The front nine rehabilitation design was ninety percent complete and included a new lake, with a projected cost of \$1,300,000. Revenue for the upcoming year was projected to increase twenty-nine percent due to back nine play, increased event activity, and Monday operations that had not historically been captured. The increase in MPC costs was primarily due to additional staffing to maintain the expanded course. Capital recommendations for the fiscal year included \$120,000 for food service expansion, a commercial stove, tables and chairs, and a pole barn for equipment storage, along with \$25,000 for kitchen improvements. The RV park repaving request was noted but not recommended for funding in the current cycle, with carryover funds from the La Perilla apartment sale remaining available.

Mayor Grijalva emphasized the need for the golf course to move toward greater self-sustainability, noting that the kitchen was not currently paying rent, green fees had not been updated to reflect the improved product, and the hall was sometimes used at no charge. He called for a revised operating agreement with the MPC to formalize these aspects and run the facility more like a business. Council Member Montaño echoed concerns about inconsistent operating hours and random fee waivers, calling for clear and enforceable standards. Chair Pedrego agreed, noting she had personally observed the facility being cleaned up and fixed nicely on one occasion, only to find it in disrepair not long after, including restroom conditions. She urged ongoing oversight and maintenance accountability. Ms. Urquijo confirmed restroom renovations had been completed in the prior fiscal year and that efforts would continue. She also highlighted that food and beverage improvements were being made to increase revenue, noting that the general fund transfer shortfall was approximately \$50,000, or about \$4,100 per month.

Council Member Montaño expressed the view that fee increases should wait until the front nine rehabilitation was complete and the course was fully competitive with regional offerings. Mayor Grijalva agreed, noting that the front nine would be closed for approximately three months for reseeding and irrigation repair, and that phased increases would be more appropriate after reopening. He also noted discussions about expanding the pro shop inventory as an additional revenue stream.

Finance Committee Member Moreno suggested the city explore additional revenue opportunities beyond green fees, including retail items such as gloves and golf accessories. Ms. Urquijo confirmed the pro shop has historically maintained inventory and that there was room to expand it. Council Member Shelton shared that his wife had been encouraging a group of sixteen to twenty female golfers from Sierra Vista and Bisbee who currently travel to Sierra Vista to play to consider visiting Douglas monthly once the front nine is completed, noting the downstream economic benefit for dining and shopping. He reiterated his support for a gazebo to attract wedding and reception business, and Mayor Grijalva confirmed he had asked for a cost estimate.

FY 26/27 Airport Highlights

AIRPORT

- ✓ **Development Status:** Negotiations ongoing for Phase 1 of 3-parcel sale • Developer added experienced investor • City guiding rezoning process and development agreement
- ✓ **Phase III Perimeter Fencing:** • Contract to be awarded this Summer • Funded by ADOT Aeronautics Grant (\$280,000 remaining) • Additional \$97,000 if land sale closes
- ✓ **Major Grants & Improvements**
- ✓ **Save America's Treasures Grant:** • \$750,000 grant • 1:1 match • Scope: Large hangar rehab • preservation of apron, taxiways & runway • ADOT contributed \$375,000 → City match reduced to \$375,000 (funded & carried over)
- ✓ **Upcoming Taxiway Grant (FY26/27):** • Expected \$1.7M for mill & overlay of taxiways/turnarounds • City match: \$170,000 (10%) • Design by ADOT | Construction late FY26/27 or early FY27/28



FY26-27 Grants

Grant Reimbursements

- \$67,035,321 in awarded grants, \$2,223,000 for applied for grants and \$32,309,756 in pending submitted grants
- \$1,846,138 included as matching across all funds and \$790,500 in GF

Among key grants:

- \$5.875M RAISE grant commercial routes – projecting 25% of \$23.5M award to be spent in FY26
- \$1.9M for Airport grants (fencing and Save America's Treasures Preservation) and \$2.4M in other water grants for well 18 and other project design.
- \$45.1M awarded and applied for West Extension Utilities – ARPA, HADBank, WFA, Army Corp, EPA and State appropriation.
- \$11.7M Congressional Directed Spending – 6 projects



Airport: Mr. Martinez reported that negotiations for Phase 3 of the airport parcel sale were ongoing. A bid for perimeter fencing, primarily funded through a \$280,000 ADOT grant, with an additional \$97,000 to be drawn if the land sale closes. He noted a Save America's Treasures grant of \$750,000 with a required city match of \$375,000 already funded and carried over, designated for hangar rehabilitation and taxiway/runway work. A taxiway grant allocating spending authority of \$1,700,000 for mill and overlay of taxiways and turnarounds was also included, with a ten percent city match and construction slated for late Fiscal Year 2027 or early Fiscal Year 2028.

Grants Summary: Mr. Martinez presented the total grants spending authority for the new fiscal year at \$67,035,321, which included \$2,200,000 for grants currently under application with 32 pending applications. He noted that spending authority must be established in the budget regardless of whether applications are ultimately successful. Grant matching funds of \$1,800,000 were allocated across all funds, including \$790,500 in the general fund. Specific grants highlighted included: \$5,900,000 RAISE Grant; \$1,900,000 in airport grants; \$45,000,000 for West Extension utilities under water and sewer; and \$11,700,000 in congressional directed spending. Mayor Grijalva asked whether unawarded grant matches revert to the general fund. Mr. Martinez confirmed that only the match component would revert if a grant is not awarded, while unspent spending authority for applied-but-unsuccessful grants simply goes unutilized.

FY 26/27 Transit Highlights

TRANSIT

- ✓ **New Funding Cycle:** Entering new 2-year FTA cycle starting October 2026 • Preliminary award notification received – did not get \$140,700 of admin & operations
- ✓ **Ridership:** Increased 3% (+1,516 riders) to 60,618 through April 2026 • Driven by higher Cochise College usage and Cochise Connection routes
- ✓ **Financials & Challenges**
 - General Fund subsidy \$127,070 (due to full state \$111 funding and increased competition)
- ✓ **County funding petition** underway through SEAGO for \$311 systems
- ✓ **Grants & Projects**
 - **Planning Grants:** Preliminary award of \$90,000 for comprehensive transit study (route efficiency + future growth from new part of entry)
 - **Transit Facility:** Approved at Public Works Barn site • Environmental & design proceeding via existing \$339 grant
 - **Bisbee Operations:** City submitting bid in June to continue 10-year contract (helps offset Douglas Riders costs)
- ✓ **Next Steps:** Continue pursuing grants from Legacy Foundation, Freight McMoran, and other sources



FY 26/27 Community Funding Requests

ORGANIZATION	Amount Requested	Amount Recommended	Purpose
Indivually Youth Foundation	\$1,000	\$1,000	Scholarships
Opportunity Youth Fund	\$12,800	\$8,000	New signature bike race
State-Artists Income Office	\$1,800	\$1,800	Art & craft supplies, large press
Library Club	\$2,000	\$2,000	Py-in-Bury
Community Art	\$15,000	\$10,000	Food and utilities for maps on wheels program
Making Connections 413	\$5,000	\$5,000	Back to School Drive
Local Fund	\$10,000	\$2,000	Programming Facilities Race
Border Art Committee	\$25,000	\$2,000	Fellowship, Artistic, Programs
Arizona Reading Alliance	\$8,500	\$2,000	Background programming
Arizona Art Week	\$3,200	\$0/2000	Verice retail for event
East Year Team	\$13,899	\$2,000	Production of Annual event
Local Fund	\$5,000	Ineligible expense	Nature's Dance Competition based expenses
Coconut County (Remnant Society)	Pending	\$5,000	TNA Program
Arizona Community Health Network Association, Inc. (ACHN)	\$5,200	\$2,000	Recovery Arts Program
Red year imports	\$100,000	\$1,000	
Total		\$45,800	



Transit: Mr. Martinez reported that the city was entering a new two-year cycle with ADOT and had received a preliminary work notification, though the award fell \$140,700 short of the application. He noted a three percent ridership increase in the prior year, driven primarily by Cochise College and Cochise Connection routes. The general fund subsidy for transit was projected at \$217,070. Notable grants included a \$90,000 preliminary award for a comprehensive transit study. Mr. Martinez also noted that the city was submitting a bid in June to compete for a ten-year Bisbee operations contract, which would help offset transit operating costs.

Finance Committee Member Gomez reiterated that Cochise College's \$23,000 annual contribution was insufficient relative to the ridership it generates, noting that the Douglas campus had reduced programming while property taxes for the college had increased, and called on the college to renegotiate its contribution. Mayor Grijalva agreed, noting that hospitals receiving patient drop-offs also contribute nothing.

Community Funding Requests

Mr. Martinez presented the community funding requests for the upcoming fiscal year, totaling \$43,800 for outside nonprofit organizations, noting that individual applications had been emailed to members along with the memo. He noted a \$1,000 reserve was maintained for any midyear requests, and that any request exceeding the \$43,800 budget would require Council approval and identification of a funding source. Finance Committee Member Gomez noted that she had funded the Veterans Clinic through her county community enhancement funds and would be transferring that amount to the city shortly.

Pending

- Liability Insurance
- Final State Shared Revenue Numbers

Next Steps

- June 3, 2026 Finance Committee Meeting & Recommendations
- June 10, 2026 Tentative Budget Adoption
- July 8, 2026 Final Budget Adoption



Mr. Martinez outlined the upcoming budget calendar: the Finance Committee would meet June 3, 2026, at noon to formulate recommendations for the Mayor and Council. Council would meet on June 10, 2026, for tentative budget adoption, which sets the spending cap; following public notice, final budget adoption is scheduled for July 8, 2026. He noted that between June 10 and July 8, 2026, funds could be reallocated within the cap, but the overall ceiling could not be raised after June 10, 2026. Mayor Grijalva reminded members that if the budget ceiling needed to be increased beyond the current proposal for example, to accommodate the Thanksgiving bonus at \$1,000; the June 10, 2026, meeting was the opportunity to do so.

Thank you!

Questions and Discussion



7. **ADJOURNMENT:** Chair, Ida Pedrego

ADJOURNMENT: Mayor, Jose Grijalva

Motion by Council Member Dillman, second by Council Member Shelton to adjourn the meeting at 8:23 p.m. motion passed unanimously.

Prepared by:  Cynthia Acuña Robles, Deputy City Clerk