

PRESS RELEASE – Statement on City Finances and Procedures

DOUGLAS, AZ (March 1, 2019) — With community questions continuing regarding reported line-item overspending in the City's budget at the end of December 2018, it is important to provide clarity on the financial picture of the City to provide an accurate picture and answer questions.

"The city of Douglas is set up for accountability in its financial oversight through various mechanisms," states Finance Committee Chairwoman, Councilmember Margaret Morales. "Some are established either by state law or our City Charter coupled with our City financial policies, while others are considered best practices and can be recognized with an annual award for reporting." Douglas has received the Certificate of Achievement for Excellence in Financial Reporting by the Government Finance Officers Association (GFOA) for the last 10 years.

Douglas has a Finance Committee which was established through our City Charter, or mini-constitution, with members of the community appointed by the City Council to serve four year terms, and a Councilmember who chairs the meetings and an ex-officio (non-voting member) Councilmember. This committee sits quarterly with the City Finance Director/Treasurer to review the City's financial picture, reporting revenue collection rates and spending trends, including overages in line items. The City Council also is kept updated on the status of the City's finances through monthly written reports and presentations by the Finance Director at Council meetings as appropriate.

"The State of Arizona requires cities and towns to adopt a balanced tentative budget on or before the third Monday in July. That doesn't mean there cannot be fluctuation in actual spending throughout the year, but it does mean that by the end of the FY, expenditures and revenues must be reconciled and balanced," states Douglas Finance Director, Luis Pedroza.

In our Council-Manager form of local government here in Arizona, budgets start first with recommendation from the City Manager who, by job description, is responsible for delivering an annual citywide budget for City Council that is usually approved before the end of June each year. Oversight for the budget throughout the year, allocated mainly by Department, is a primary responsibility of the City Manager. This requires monitoring and adjustment throughout the year. Department Directors are to be held accountable for holding the line on expenses to make sure they don't exceed their total departmental approved budget.

At the end of December 2018, the overall operating budget of the City showed overspending trends in certain line items, primarily in the Fire/EMS Department. This departmental \$206,113 shortfall was revealed as overtime costs as a direct result of our inter-facility transportation to hospitals in Bisbee, Sierra Vista or Tucson. Some other departments had line items that reported overspending as a function of how the City allocates its insurance and other premiums which, when paid in a lump sum, show up as over budget in that quarter but balance out to the approved line item amount by end of year. To retrieve the Finance Committee financial presentation showing the detailed financial position as of December 31, 2018 please visit <http://www.douglasaz.gov/211/Budgets-Financials>.

"When I came onboard in late January to assist the City while it is in between city managers, I began a review of our finances and started talking with staff about where we needed to course correct," reports Interim City Manager, Jerene Watson. "Our new Fire Chief, Kevin Lomeli, began a few weeks ahead of my arrival and he was already implementing changes. Overtime was restricted to emergencies, he had initiated an audit of our EMS (Emergency Medical Services) program and was reviewing how better to rotate calls for ambulance service with our partners in order to bring the department overspending back in line with the budget."

An effort led by the Interim City Manager with the Department Directors is underway to strategically reduce spending throughout the organization in order to align expenditures with budgeted revenues by the end of June.