



Resolution

OFFICE OF THE
MAYOR
CITY OF SAN LUIS

NO. 734

A RESOLUTION OF THE MAYOR AND CITY COUNCIL OF THE CITY OF SAN LUIS, ARIZONA APPROVING AND ADOPTING FINANCIAL POLICIES AND MANANGEMENT GUIDELINES

Whereas, the City of San Luis is need of a strategic financial plan to ensure financial stability and to meet the communities needs for future service and infrastructure as a result of growth;

Whereas, the purpose of the strategic financial plan is to provide a structural backdrop to the financial decisions of the city; parties to the Intergovernmental Agreement desire to enter said agreement; and

Whereas, implementation of this strategic financial plan is necessary for fiscal year 2007/2008;

NOW THEREFORE BE IT RESOLVED, by the Mayor and Council of the City of San Luis, State of Arizona, as follows:

Section 1: That the document entitled "Financial Policies and Management Guidelines to be considered by Mayor and City Council beginning Fiscal Year 2007/2008", three copies of which are on file in the Office of the City Clerk of the City of San Luis, and attached hereto as Exhibit "A", is hereby declared a public record.

Section 2: The Financial Policies and Management Guidelines to be considered by Mayor and City Council beginning Fiscal Year 2007/2008 is hereby approved and adopted as the policy of the City of San Luis.

Section 3: That the appropriate City officials are hereby

authorized and directed to follow the Financial Policies and Management Guidelines to be considered by Mayor and City Council beginning Fiscal Year 2007/2008 and take any all actions as may be necessary to effectuate said policies and guidelines in all of the financial decisions of the City of San Luis.

PASSED AND ADOPTED by the Mayor and Common Council of the City of San Luis, Arizona, this 25th day of June, 2007.

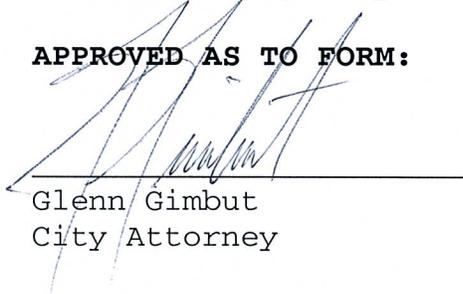

Juan Carlos Escamilla, Mayor

ATTEST:



Sonia Sanchez, City Clerk

APPROVED AS TO FORM:



Glenn Gimbut
City Attorney

City of San Luis

Financial Policies and Management Guidelines to be considered by Mayor and City Council beginning fiscal year 2007/2008

Financial policy guidelines for fiscal responsible management of the City need to be implemented to maintain financial stability. A future strategic plan for long range operating budgets and comprehensive infrastructure plans is essential to maintain financial stability.

The purpose of these policy guidelines is to impose a structural backdrop to financial decisions of the City of San Luis. It is immediately necessary to implement these policies for fiscal year 2007/2008. These policies are intended to be in place for at least the next five fiscal years. The examples for fiscal year 2007/2008 as set forth below are a guide as to how to implement these policies and guidelines in future years.

Guidelines and policy decisions to be implemented are listed as follows:

1. **Revenues:** Design, maintain and administer revenues that will ensure reliable, equitable and sufficient amounts to support desired services. A conservative, objective and analytical approach shall be used when preparing revenue estimates. The actual revenues should be compared to budgeted numbers monthly with plans to deal with significant down-turns in the economy. This will maintain a stable level of services, reducing the probability of actual revenues being short of budget estimates. Further, revenue streams should be matched to expenditures as much as possible. In other words ongoing expenditures such as personnel, utility costs, etc. need to not exceed ongoing revenue streams. One time

revenues such as sales tax revenues from development and sale of real property, should not be used to cover ongoing expenses, but rather should be dedicated to one time costs such as capital expenses. As the City is dependant on privilege taxes as a major revenue stream, and does not have an ad valorem tax, and its ad valorem tax base does not currently support the revenues needed to meet future capital needs, a portion of the ongoing revenue stream needs to be dedicated to capital expenditures as set forth below.

2. **Expenditures:** Prioritize services establish appropriate levels of service and administer the resources to ensure that fiscal stability is retained and services are delivered in an effective, cost effective manner. Should down-turns occur with the economy appropriate recommendations need to be made to management and City Council.
3. **Fund Balances:** Fund balances and retained earnings in the various operating funds will be adjusted according to the established operating budgets for each fiscal year. The operating budget is defined net of capital and net of depreciation (where appropriate).

General Fund Policy as follows:

1. The minimum will be two months of operations. The optimum will be three months of operations. The balance shall not dip below two months for any fiscal year.

Utility Enterprise Fund

1. Operational reserve is defined as cash and cash equivalent. Cash equivalent are accounts receivable that will be realized in less than 60 days.

- A. Reserves will be 2 months. The City will not dip below that level in any fiscal year. Optimum will be to maintain 3 months.

Highway User Revenue Fund (HURF) Street Maintenance and Repair

HURF revenues are allocated to cities by the State of Arizona.

1. The City of San Luis will strive to maintain a ratio of 70/30 percentage. 70% will be for operations and debt service. 30% will be for capital replacement and capital projects.
 - A. Reserve funds for operations will be a minimum of three months.
 - B. Reserves will not be used to fund new personnel or salary adjustments.

Capital Replacement/Capital Infrastructure Fund:

1. City will create and maintain a Capital Replacement/Capital Infrastructure Fund.
2. Annual transfers will be made to the fund from General, Utility and HURF operating funds.
3. Depreciation Expense will be transferred and restricted for Utility Enterprise Fund purposes.

Debt Service Fund

Debt Service is a consolidated debt service fund for all operating funds.

1. General
2. Utility Enterprise

3. HURF

City of San Luis will strive to have reserved at least one year of debt service payments. This shall be accomplished on or before fiscal year 2009/2010 and maintained thereafter. The current requirements for fiscal year 2007/2008, as an example, are listed as follows:

1. General Fund		
Supported debt – 51%		\$955,481
2. Utility Enterprise Fund		
Supported debt – 49%		\$918,012

As an example, requirements increase 2009/10 fiscal year to \$2,548,493.

A. General Fund		\$1,299,731
B. Utility Fund		\$1,248,762

The additional transfer required from Utility Enterprise is \$330,750. This will be accomplished by additional transfers:

2008/09	\$110,250
2009/10	\$110,250
2010/11	<u>\$110,250</u>
Total	\$330,750

General Fund Portion

General Debt Service's restricted reserves will be funded over fiscal years 2008/09; 2009/10; 2010/2011 in the amount of \$320,000 annually.

New Revenue Streams:

The City of San Luis City Council will consider adopting a policy of restricting the use of new revenue streams such as the Wal-Mart

Development. Here are the current projects for Wal-Mart and the surrounding area:

1. Wal-Mart projected sales	\$85,000,000
2. Development around Wal-Mart	\$15,000,000
Total	\$100,000,000
**Projected Sales Tax (3.5)	\$3,500,000

**Proposed distributed of new monies should be restricted. Only a portion should be used for reoccurring expenses such as salaries and merit increases. Preferred distribution should be 60/40. Capital/Capital Replacement 60% - \$2,100,000 Operations 40% - \$1,400,000.