

Maricopa County Internal Policy	Title: Budgeting for Results Policy Guidelines	Number: B 1006 Issue Date: 12/1997
Policy Category: Budget Initiating Department: Office of Management and Budget	Approved By:	Revision No: 9 Revision Date: 5/9/2012

I. PURPOSE

The purpose of this policy is to set forth the guidelines for developing budgets for Maricopa County, as well as the Flood Control, Library, and Stadium Districts. Maricopa County's budget process provides for responsible management of taxpayers' resources, while insuring that funds are directed towards achieving results at all levels.

II. DEFINITIONS

- A. **Budgeting for Results:** A process in which budgetary decisions are based on or informed by performance information that describes the cost or efficiency of producing an activity and the results achieved for customers. This is accomplished by structuring the accounting and budgeting systems according to the structure of Maricopa County's Departments' and Districts' Strategic Plans.
- B. **Structurally Balanced Budget:** A budget in which all recurring expenditures are fully supported by recurring sources of funding.
- C. **Special Revenue Funds:** A fund that accounts for the proceeds of specific revenue sources (other than major capital projects) that is restricted to specific-purpose expenditures. This classification includes, but is not limited to, grant funds, fee funds and operating funds of special districts.

III. POLICY GUIDELINES

A. General Guidelines for Budget Development:

1. The budget will be based on conservative revenue estimates and will be ***structurally balanced***. The budget will be formulated in accordance with the *Tax Reduction Policy Guidelines (B1007)*.
2. In accordance with the Board of Supervisors/Board of Directors' *Managing for Results Policy (B6001)*, Budgeting for Results is part of an overall management system that integrates planning, budgeting, reporting, evaluating and decision-making that is focused on achieving results and fulfilling public accountability. Departments/Special Districts are required to participate in the strategic planning process, and their plans and performance measures, along with strategic direction from the Board of Supervisors/Board of Directors, will be the primary basis for funding decisions.
3. The Office of Management and Budget will analyze all base budgets to identify possible reductions, and will analyze all results initiative requests in detail, with particular focus on their impact on results.
4. Directors and Program Managers will critically review new, unfunded or under-funded program mandates from the State and Federal governments in order to determine the fiscal impact to the County and to identify funding solutions.
5. All positions will be fully funded in the budget or designated for elimination in accordance with the *Funded Position Policy (B3001)*.

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6. Wherever possible, grants and special revenue sources will be used for direct programmatic costs as well as all appropriate indirect and central service costs. For all expenditures, if allowable, non-local revenue (grants, etc) will be utilized first, then non-General Fund local revenue (fees, etc), and finally General Fund revenue. Grant and other special revenue budgets will recover all indirect costs, as allowable. All fees should be developed based on full cost recovery, including indirect costs. Grant and other special revenue budgets will be developed in accordance with the *Policy for Administering Grants (A2505) and the User Fee Services Calculation and Policy Consideration Manual.* Matching funds will be budgeted only to the extent required by law or by contracts and agreements specifically approved by the Board of Supervisors/Board of Directors.
7. Wherever possible, the annual budget will provide for the adequate and orderly replacement of facilities and major equipment from current revenues based on confirmed analytical review of need. Vehicle replacement will conform to the *Policy for Vehicle Replacement (B4002).*

B. Revenue:

1. The amount of revenues estimated in the budget from grants, donations or intergovernmental agreements must be supported by an itemized listing of each revenue source. Grant awards and intergovernmental agreements shall be listed individually. For recurring grants and intergovernmental agreements, estimated revenue may be included prior to final agreement on funding levels, but may not include an increase from the current fiscal year.
2. Where appropriate, services and programs will be supported by user fees. User fees will recover the County's full direct and indirect costs, unless market considerations dictate otherwise. All user fees will be reviewed annually in conjunction with the budget development process. Because expenditures supported by user fees are generally subject to the Constitutional expenditure limitation, such expenditures must be carefully reviewed, and user fee rates should be reduced if they can no longer be justified by actual expenditures.
3. Anticipated revenue to the County from fee increases will not be budgeted unless the Board of Supervisors/Board of Directors has approved such increases.
4. All Departments/Special Districts, including elected officials and the Judicial Branch, will report to the Board of Supervisors/Board of Directors via the Office of Management and Budget all non-appropriated funding sources available to support their operations and programs, either directly or indirectly. When investigatory or security issues are of concern, such issues will be addressed on an individual basis.

C. Expenditures:

1. Departments/Special Districts shall submit base expenditure requests within the budget target provided by the Office of Management and Budget. The Office of Management and Budget will develop targets for each fund budgeted by a Department/Special District according to its current budget, with adjustments as directed by the Board of Supervisors/Board of Directors.
2. Requests for funding above base level must be submitted as Results Initiatives Requests, and must be directed to achievement of approved strategic goals that align with the direction of the

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Board of Supervisors/Board of Directors. Requests for additional funding will be considered only if departments/special districts have met the requirements for "Planning for Results" under the Managing for Results Policy (B6001). Results Initiative Requests must be supported by complete performance measures that can be used to monitor and evaluate the initiative's success if funded. The Board of Supervisors/Board of Directors may annually adopt guidelines and priorities for results initiative requests. The Office of Management and Budget will review all results initiative requests and make recommendations according to the guidelines and priorities established by the Board of Supervisors/Board of Directors.

3. In order to promote consistent and realistic budgeting of personnel, all personal service budgets shall include a reasonable allowance for personnel savings due to natural staff turnover. The rate of personnel savings should be budgeted based on past experience. Budgeted personnel savings may be budgeted conservatively for smaller departments that are subject to greater variations in staff turnover.
4. No "carryover" capital outlay or capital improvements will be budgeted unless specifically approved by the Board of Supervisors/Board of Directors. Departments that do not identify and receive approval for carryover items will be required to eliminate them or fund them from within their operating budgets.
5. Major Maintenance projects for General Fund and Detention Fund Departments will be budgeted in the Facilities Management Department's budget. All non-General Fund / Detention Fund Departments will fund their own Major Maintenance projects.
6. Vehicle Replacement for General Fund and Detention Fund Departments will be budgeted in Non Departmental. All non-General Fund / Detention Fund Departments will fund their own Vehicle Replacement.

D. Budget Process:

1. All Appointed, Elected and Judicial Branch Departments/Special Districts will follow these policy guidelines in preparing their Annual budget requests.
2. All Appointed, Elected, and Judicial Branch Departments/Special Districts will submit budget requests to the Office of Management and Budget (OMB) following the detailed timeline, directions and format prescribed by OMB.
3. Department/Special District financial reporting structures must be finalized prior to budget submission.
4. All budget requests will be submitted at a detailed level by fund, department, organization unit, Program/Activity, object/revenue source, function/segment, and month. Departments/Special Districts will prepare their budget requests in the budget preparation system provided by the Office of Management and Budget, and will follow all system instructions.
5. The Deputy County Manager (DCM) will negotiate budget recommendations with Elected Officials and Judicial Branch departments. If agreement cannot be reached with the DCM, the Presiding Judge and elected officials may first continue negotiation directly with the County Manager or, if agreement still cannot be reached, with the Board of Supervisors.

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E. Capital Improvement Projects:

1. Upon recommendation of the Facilities Review Committee and identification of available funding, the Office of Management and Budget will recommend a five-year Capital Improvement Program to the Board of Supervisors/Board of Directors in accordance with the Capital Improvement Program Policy.
2. The Board of Supervisors/Board of Directors may allocate carry-over fund balances to one-time capital items in accordance with the Tax Reduction Policy (B1007).
3. When requesting funding for capital improvement projects, Departments/Special Districts will provide estimates of increased operating costs associated with each individual project.
4. Capital improvement program budgets may include a contingency budget reserve to fund project overages of up to 10% or \$1,000,000, whichever is less.

F. Internal Charges and Indirect Cost Allocations:

1. Internal service departments will develop estimates of base and discretionary charges for each Department/Special District they serve according to instructions and schedules provided by OMB. All estimates will be reviewed by the user departments, OMB and the Department of Finance.
2. All internal charges will be based strictly on recovery of actual costs for providing services or sharing use of equipment or facilities. Charges between Departments/Special Districts that are based on "market rates" and exceed actual costs are prohibited. Allocation of costs between funds for shared use of buildings or equipment will be determined consistent with the Central Service Cost Allocation plan prepared by the Department of Finance.
3. Base-level or non-discretionary internal services will be charged at the department/fund level. Discretionary internal service charges are the responsibility of the requesting Department/Special District.
4. The Department of Finance will determine Central Service Cost Allocation charges for all County agencies and special districts. Central Service Cost Allocation charges for Non-General Fund / Detention Fund agencies, except grant and Internal Service Fund agencies, will be based on a full-cost allocation methodology. Grant and Internal Service Fund agency Central Service Cost Allocation charges will be determined in accordance with 2 CFR Part 225 (OMB Circular A-87). Where allowable, grant and special revenue funds will budget and pay the applicable Central Service Allocation charges unless the Board of Supervisors approves a variance of the charges. The Department of Finance will provide departments that administer grants with an annual indirect cost rate based on the Central Service Cost Allocation plan. Departments allocating and claiming departmental indirect costs must prepare a Departmental Indirect Cost Proposal utilizing the Department of Finance issued Recommended Procedures for Departmental Indirect Cost Allocation Plans.