



Budget Policies

The Budget Policies that have been included in this budget document are in draft-format. Pinal County uses a team-approach to creating policies of any kind. When policies are needed, the departments that oversee a particular area, create the first draft of the policies.

Once the policies have been written, a draft copy is sent out to each Elected Official and department head to read and reply with any comments. Once the replies have been received they are applied to the policies. Should a reply differ substantially from the policy's goal or is not clear, the originating department will meet with the department and discuss their concerns about the proposed policy(s). Once the policies have been finalized, the Board of Supervisors for Pinal County will complete the circuit by formally adopting them at an open meeting.

The Budget Policies that are included in this document are not the final version. These policies have been sent to the Elected Officials and department heads and the discussions between the departments is ongoing. It is the intent of the Budget Office to include them as a draft-format, with the understanding that these policies will be adopted before the end of Fiscal Year 2006.



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A. Introduction

According to A.R.S. §42-17106, the County may not incur expenditures in excess of the amounts appropriated by the Board of Supervisors in the annual budget. However, if monies are available, the Board of Supervisors may transfer monies between budget items. This would be initiated in order to provide limited resources when they are most needed.

B. Definitions

Appropriation: Authorization by the Board of Supervisors to incur expenditures for a specific purpose, defined in Pinal County as total expenditures by Department/Special District and fund; “budget items” as referenced in A.R.S. §42-17106.

Department: All County Departments, including Elected Official Offices, Court Departments, and Appointed Departments.

Detailed Budget: Budget allocation within an appropriation by organization unit, program/activity/service, object/source, and/or position.

Special District: All Pinal County Special Districts, including Flood Control District and Library District.

Fund: A fiscal and accounting entity with a self-balancing set of accounts recording cash and financial resources.

C. Policy Guidelines

1. Budgets shall be appropriated and controlled by the Board of Supervisors at the Fund Level and, where applicable, by the Capital Improvement project.
2. Appropriation levels are not guaranteed from one fiscal year to the next. Each year, appropriation amounts for each Fund, Department/Special District shall be recommended by the Budget Office for approval by the Board of Supervisors, based on detailed reviews of spending needs, priorities, expected results and available funding.
3. Departments/Special Districts shall develop and maintain detailed revenue and expenditure budgets that will be loaded into the main financial system. Detailed budgets will be prepared on an annual basis, by organization unit, by object/source and position according to instructions developed by the Budget Office. Detailed budgets shall exactly equal Board appropriations.

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4. Fund level appropriations shall be changed during the fiscal year only with Board of Supervisors approval, with the exception of grants approved by the Board of Supervisors in the previous fiscal year and carried over into the new fiscal year. The Budget Office may approve appropriation adjustments for carried-over grants if the Board of Supervisors previously appropriated the grant and the Finance Department certifies the carried-over grant balance.
5. The County Manager must approve all changes in capital improvement project appropriations. All requests for project appropriations must be accompanied by a request for County Manager approval to amend the annual capital improvement program, or by notification that an amendment is not required. Capital Improvement project appropriations do not need to be adjusted so long as project overruns do not exceed 10% or \$1,000,000, whichever is less (refer to item 12).
6. In order to maximize results, Departments/Special Districts will have the flexibility to reallocate their detailed budgets for the remainder of the current fiscal year within appropriations approved by the Board of Supervisors. Budgetary flexibility is accompanied by the responsibility to produce expected results while absorbing unanticipated spending increases. If a Department/Special District requests an appropriation increase or contingency transfer for an unanticipated spending increase, the Board of Supervisors shall determine whether the department will be controlled according to its detailed budget. The Budget Office shall validate that all detailed budget adjustments balance and reconcile to appropriations set by the Board of Supervisors.
7. All positions must be fully funded and budgeted in accordance with the Budget Office's *Funded Positions Policy*. In order to create new positions, departments/special districts must first verify full-year funding. If a position loses funding, it shall be identified and eliminated.
8. Departments/Special Districts shall recommend for approval any agreements that commit the County/Special District to expenditures for which funding is not identified in future years. Departments/Special Districts shall verify funding for all purchase requisitions or other contracts or agreements.
9. Departments/Special District expenditures and revenues shall be monitored and reported on a monthly basis throughout the fiscal year by the respective departments/special districts and on a county-wide basis by the Budget Office. The Budget Office shall prepare and submit to the County Manager a comprehensive monthly analysis of budget variances, revenue and expenditures, on county-wide basis and will investigate any negative year-to-date variances. The report shall also contain detailed information on any department/special district that is on "budget hold" status (see Budget Resolution).

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10. Any department/special district for which the Budget Office reports a negative year-to-date expenditure or revenue variance, or budget hold status, must provide a written explanation and corrective action plan to the Budget Office. The Budget Office will review and approved all corrective action plans, and report them to the County Manager once they are finalized. (see Budget Resolution)
11. If there is a significant risk that a department/special district will exceed its annual appropriation, the Board of Supervisors may place restrictions on the ability of a department/special district to adjust its detailed budget, and may also control its expenditures according to its detailed budget (see Budget Resolution).
12. Departments/special districts shall not exceed their expenditure appropriations. Budget Hold status will be implemented according to the annual Budget Resolution, as approved by the Board of Supervisors.
13. At the close of the fiscal year, the Finance Department will prepare and submit to the Board of Supervisors a comprehensive report of all audited actual expenditures relative to all department/special district appropriations. The report will include an explanation of each instance in which expenditures exceed appropriations by the Board of Supervisors.
14. If a department/special district exceeds its annual expenditure appropriation, its expenditures will be reviewed by the Budget Office. The Budget Office will review the department/special district expenditures, identify the causes of the overrun, and report its findings to the Board of Supervisors.
15. In the event of a budget overrun by a department/special district, the Budget Office may place the department/special district on Budget Hold status at the beginning of the next fiscal year. This status will require all uses of operating expenses to be approved by the Budget Office for the first six-months of the new fiscal year. After such time, the Budget Office will review the department/special district's budget and determine if the department/special district is allowed off of budget hold status.

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Pinal County - General Government Policy and Procedures

1. PURPOSE

The purpose of this policy is to provide guidelines for development and administration of the General Government budget to County departments/special districts so that the General Government budget is handled according to Board policy and direction.

a.) BUDGETED REVENUES

The revenues budgeted in the General Government budget are revenues that may be specific to particular funds, but benefit several departments and not a particular department or program within a department. Examples of these revenues include:

- i) Property Taxes (General Fund and Debt Service Fund)
- ii) Anticipated Grants from outside sources
- iii) State Shared Sales Tax
- iv) State Shared Vehicle License Tax
- v) Cable TV application fees for franchise agreements with the County
- vi) Liquor License fees
- vii) Other Miscellaneous Revenue as appropriate

b.) BUDGETED EXPENDITURES

The expenditures budgeted in the General Government budget are general expenses not specific to a particular department, or which benefit the County as a whole. These expenses can include budgeted contingencies, general debt service, taxes and assessments, legal expenses, and various Board-approved special projects or initiatives.

Expenditure items will be listed in the Recommended budget, and individual items are subject to Board approval.

2. PROCEDURES

a.) BUDGET PROCESS

General Government will follow all County budgeting policies and guidelines including the approval process established by the Board of Supervisors. The Budget Office, along with the County Manager, will be responsible for developing the General Government budget for each fiscal

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year. The recommended budget will include an itemized schedule of proposed expenditures by fund.

b.) APPROVAL OF EXPENSES

The Deputy County Manager or designee must authorize all expenditures prior to processing. This authority has been delegated to the manager responsible for a particular item within the General Government. If the expenditure is not approved it will be returned and absorbed within the budget of the department that submitted it.

If a contingency fund is adopted in the General Government budget during a fiscal year, General Fund departments can request funding for unanticipated expenditures or unfunded projects. These requests must be handled via Board agenda item, and submitted by the responsible department. The Board of Supervisors must approve all requests for contingency funds.

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The budgetary policies enumerated below, outline a general framework of budgetary goals and objectives regarding the operating budget, debt service, capital expenditures, reserves and financial reporting. They provide standards against which current budgetary performance can be measured and proposals for future programs evaluated.

Operating Budget Policies

Current revenues will be sufficient to support current operating expenditures.

- **Status:** *FY2005-2006 estimated General Fund operating revenues (\$110.0 million) to expenditures (\$110.0 million) – Ratio 1:1*

Financial systems will be maintained to monitor expenditures, revenues and program performance on an ongoing basis.

- **Status:** *Ongoing monitoring system with monthly reviews of budgeted and actual expenses and revenues.*

Monthly reviews on performance of operating budgets for General Fund and monthly overviews on all non-General Fund operating budgets.

- **Status:** *Ongoing monitoring is being completed on a monthly basis with reports being analyzed and forwarded on to Deputy County Manager and County Manager.*

Debt Service Policies

Long-term debt will not be issued to cover current operations.

- **Status:** *None issued to finance current operations*

General Obligations bonds will not be used for long-term debt.

- **Status:** *Long-term projects are budgeted using current revenues (Certificates of Participation). If revenues are not available, project will be postponed or resources will be re-appropriated to cover debt service.*

Capital Expenditure Policies

A five-year Public Works Capital Improvement Plan (CIP) will be developed and updated annually, including anticipated funding sources.

- **Status:** *FY2005-2006 CIP budget has been updated*

The County's Capital Improvement Plan will be presented to the County's CIP committee for its annual recommendation to the County Manager.

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- **Status:** *Committee has met and recommendation for CIP forwarded to County Manager.*

The County's approved CIP will be such that its costs will fit within the limited operating budget of the General Fund.

- **Status:** *The CIP is budgeted to fit within the operating budget for FY2006*

The County will maintain all its physical assets at a level adequate to protect the County's capital investment and to minimize future maintenance and replacement costs.

- **Status:** *Fixed assets are being tracked and a new bar-code system has been approved for purchase through the CIP.*

The County will maintain a replacement program for Technology and Vehicles in order to stabilize requests and maintain an efficient and up-to-date fleet of vehicles and technology-related equipment.

- **Status:** *The County has implemented a three-year replacement program for most technology related equipment and for its vehicle fleet.*

Reserve Policies

The County will maintain its healthy financial reserve position. Fund balance coverage for the General Fund will be maintained at a minimum of 5% of General Fund revenue.

- **Status:** *The General Fund has maintained the 5% minimum reserve balance since the ordinance was adopted. However, for the past several years, the General Fund reserve has been closer to 20% of General Fund revenues.*

Financial Reporting Policies

The County's accounting and financial reporting systems will be maintained in conformance with current accepted principles and standards of the Government Accounting Standards Board (GASB) and the Government Finance Officers Association (GFOA).

- **Status:** *GFOA Certificate of Achievement for Excellence in Financial Reporting and GFOA Distinguished Budget Presentation Award.*

Full disclosure will be provided in the general financial statements and COPS representations.

- **Status:** *Notes to the financial statements and official COPS statement provide full disclosure.*

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An annual audit will be performed by either the State of Arizona Auditor General's Office or an independent accounting firm with the subsequent issue of an official annual financial statement.

- **Status:** *State of Arizona Auditor General's Office performs annual independent review of all financials.*

Board of Supervisors Budget Tenets

- Continue the modified base budget implemented at the start of the budget process, incorporating historical spending patterns, program cost adjustments, and long-range forecasts in the preparation of budget allocation targets, thereby limiting the rate of budgetary growth.
- Continue to evaluate our self-supporting enterprise operations on an annual basis for possible revenue changes.
- Continue to re-examine current programs, re-engineering processes and competitiveness in the County, as necessary.
- Continue to identify and address Board of Supervisor's strategic issues.
- Continue periodic budget reviews with the County Manager.
- Continue examination of current programs by each department for potential sun-setting opportunities.

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	SUBJECT: 40.2 – FUNDED POSITION			

A. Introduction

The purpose of the Funded Positions Policy is to establish guidelines for adding, deleting and changing positions so that all authorized positions are fully funded on an annualized basis, and that any filled or vacant position that becomes unfunded or under-funded is either fully funded or deleted.

B. Definitions

Full-Time Equivalent (FTE): A value equivalent to a number of employees paid full-time (forty-hours per week, or from 2,080 to 2,096 hour per year, depending on the calendar). A half-time position that is paid 20-hours per week equates to 0.5 FTE; so for example, four half-time positions, each paid 20-hours per week, equals 2.0 FTE (4 X 0.5), and so on. A single position may have an FTE value greater than zero, but not greater than 1.0. A group of positions has an aggregate FTE value based on the FTE values of the specific positions within the group.

Fully-Funded Position: An authorized position that is fully funded by the general revenues of the County, a special revenue source, or a grant.

Payroll Liability: The salaries, benefits, payoff of accrued vacations and compensatory time and career center expenses that result from a reduction in force.

Under-funded Position: A position for which a County department/special district has a 1% to 99% of the funding required to support it on an annualized basis.

C. New Position Establishment Policy Guidelines

1. In order to create a new position, County department/special districts must submit a request to the Budget Office on an official form that includes the following information:
 - Working title and description of the position or positions requested.
 - The number of positions requested and FTE value(s) of the position(s) requested.
 - A brief description of the purpose of the new position(s), including relation to program/activity/service, strategic goals.
 - The full cost of the requested position(s), including not only direct salaries and benefits, but also indirect costs such as uniform allowances, equipment, and mandated or essential training. The County department/special district will indicate whether it has enough building space, or identify the costs and sources of funding for additional space, if needed.
 - The funding source of the position(s) and location in the current budget.

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- A list of any position(s) to be deleted in conjunction with creating the new position, along with a description of any other budgetary reductions made to offset the cost of the new position(s).
 - Justification of why budget savings, including savings from deleted positions, should be used to create new positions and not result in a budget reduction.
2. The County department/special district director, elected official or chief deputy to an elected official must sign all position requests.
 3. Position requests must be sent to the Budget Office for review. The Budget Office will verify that the requested position(s) have been budgeted appropriately and that there is adequate funding to support the budget as a whole, including the requested position(s). The Budget Office will not approve new positions unless their fully annualized cost can be supported within the County department's/special district's current appropriation, or if the Board of Supervisors has approved other funding. The Budget Office will also verify that the request complies with established policies and priorities of the Board of Supervisors.
 4. On approval by the Budget Office, position requests from Elected or Judicial Branch departments will be forwarded to Human Resources for review of job description and salary information. Requests from appointed County departments/special districts will be forwarded to the County Manager for final approval before they are forwarded to Human Resources.
 5. If a position request is denied, Elected or Judicial Branch departments may appeal the decision to the County Manager. If the County Manager approves a position request on appeal, the approval must be accompanied by an action to provide funding for the position(s), as necessary.
- D. Position Funding Policy Guidelines
1. Each year as part of the budget process, County departments/special districts must verify that budget and funding are adequate to support all authorized positions. The Budget Office will validate that the position funding is adequate, and will identify all positions that are potentially unfunded or under-funded.
 2. Personnel will be budgeted by market range title, full-time equivalent (FTE) and average wage and benefit rates at the fund and organizational level with County department/special district budgets. Total authorized FTE's and average wage and benefit rates must be at or lower than budgeted levels at all times, and fully-funded on an annualized basis with current appropriation levels and funding.

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3. Personnel savings due to natural staff turnover will be budgeted in all County departments/special districts at appropriate levels. If actual personnel savings reaches high levels due to failure to fill positions for extended periods, adjustments will be made to either eliminate the positions or make efforts to fill them.
4. County departments/special districts with vacant under-funded positions will discuss the funding shortfall with the Budget Office. County departments/special districts have the option of eliminating the position(s) or identifying additional funding for the position(s).
5. The Budget Office and County departments/special districts will delete any vacant positions identified as unfunded or under-funded.
6. If filled positions are identified as unfunded or under-funded, the County departments/special districts will provide the following information:
 - The position or position's contribution to provision of services and results.
 - The full cost to continue the position(s)
 - The resulting payroll liability if current employee(s) are terminated due to lack of funding.

This information will be forwarded for review and validation by the Budget Office. The Budget Office will consolidate the information and forward it to the County Manager for possible action.

7. If eliminating unfunded or under-funded positions results in a Reduction of Force, the process will be conducted in a uniform manner in accordance with procedures administered by the Human Resources Department. Any payroll liability costs will be funded from within the County department's/special district's current appropriation.



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