

Maricopa County	Internal Policy	<u>Number: B1007</u>
Policy	Title: Reserve and Tax Reduction Policy Guidelines	Issue Date: 06/1996
Policy Category: Budget	Initiating Department: Office of Management and Budget	Revision: 4
Reviewed by: Sandi Wilson	Approved by: Board of Supervisors	Revision Date: 09/2010

A. Introduction

The purpose of this policy is to provide for long-term financial stability and low, sustainable taxes through responsible use of non-recurring resources, appropriate and minimal use of debt, and maintenance of reserve funds. Adherence to the policy will insure that Maricopa County maintains recurring revenue streams sufficient to support ongoing spending requirements. Adequate reserves will allow the County to maintain services during economic downturns without drastic expenditure reductions or tax increases while longer-term budgetary adjustments are put in place.

Further, this policy sets budgetary and financial guidelines regarding the reduction of taxes. The Reserve and Tax Reduction Policy demonstrates a commitment to the maintenance and, when possible, reduction of taxes while ensuring that Maricopa County remains financially stable and accountable to the citizens.

B. Definitions

Fund Balance: The difference between fund assets and fund liabilities.

C. Reserve Policy Guidelines

1. The Board of Supervisors will commit a portion of the fund balance in the General Fund for budget stabilization purposes. The General Fund committed balance will be sufficient to eliminate cash flow borrowing in the General Fund and in other funds as necessary.
2. Spendable beginning fund balances will be estimated and included in the annual budget. Fund balances may be appropriated for the following specific uses, consistent with the legally-authorized purposes of the fund:
 - Acquisition of fixed assets.
 - Retirement of outstanding debt.
 - Fiscal stabilization by offsetting operating revenue shortfalls due to economic downturns, so long as adjustments are made to restore the structural balance of the budget within one to two fiscal years.

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3. Proceeds from the sale of real property will be set aside for capital improvements or to repay debt used to finance capital improvements, so long as future liabilities associated with the property, including environmental clean-up, have been met.
4. In cases where an expenditure can be funded by more than one component of fund balance (restricted, committed, assigned or unassigned), the following is the flow assumption:
 - First, expenditures will draw on unassigned fund balances,
 - Second, expenditures will draw on assigned fund balances (if applicable),
 - Third, expenditures will draw on committed fund balances, and
 - Fourth, expenditures will draw on restricted fund balances.
5. Use of fund balances must be consistent with the Tax Reduction Policy Guidelines, as outlined below.

D. Tax Reduction Policy Guidelines

1. Unless otherwise required by law, the Board of Supervisors/Board of Directors will strive to maintain the combined primary, debt service, Library District, and Flood Control District property tax burden at current or lower levels.
2. The Board of Supervisors/Board of Directors may reduce property taxes under the following conditions:
 - The tax reduction is sustainable for the foreseeable future according to reasonable and conservative forecasts.
 - The budget is currently structurally balanced, e.g., recurring revenue exceeds recurring expenditures and will remain so into the future according to reasonable and conservative forecasts.
 - The fund balance in the General Fund committed for budget stabilization is sufficient to eliminate cash-flow borrowing and unexpected economic changes.
 - Fund balances have been appropriated or committed for repayment of outstanding debt.
 - Necessary capital expenditures are appropriated from fund balance.