

BUDGET PROCESS WORKSHOP

MAY 23, 2023



2023 CALENDAR

January-2023						
SUN	MON	TUES	WED	THUR	FRI	SAT
1	2	3	4	5	6	7
8	9	10	11	12	13	14
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March-2023						
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May-2023						
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July-2023						
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September-2023						
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November-2023						
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February-2023						
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April-2023						
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June-2023						
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August-2023						
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October-2023						
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December-2023						
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 Holidays

 Meetings

 Conferences

Budget Process Workshop

Florida Keys Mosquito Control District
Marathon Office
503 107th Street, Marathon, FL 33050

May 23, 2023
1:15 pm (approximate)

- 1. Call to Order**

- 2. Roll Call**

- 3. Approval of Agenda**

- 4. Purpose of the Workshop:** Chairman Goodman announces the purpose of this workshop is to discuss the Florida Keys Mosquito Control District budgeting and purchasing processes.

- 5. Discussion**
 - a.) Introduction (McDonald)
 - b.) Budget Procedures (Holden)
 - c.) Internal Controls (Holden)
 - d.) Board's Periodic Reviews (McDonald)

- 6. Good of the Order**

- 7. Meeting Adjourned**

Budgets are the plans to carry out the organizations mission.

It is the single most important function of the Board closely followed by the selection of the Executive to carry out those objectives. In the government entity it is the responsibility of the elected to fulfill the mission by using the funds extracted from the taxpayers in the most effective, efficient and forward thinking manner.

Budget planning meetings should be held routinely to discuss such topics as the number of staff needed, objectives, resources, and time schedules. There should be clear communication of how the numbers are established and why, what assumptions were made, and what the objectives are.

Strategic budgeting is a form of long-range planning based on identifying and specifying organizational goals and objectives. The strengths and weaknesses of the organization are evaluated and risk levels are assessed. The influences of environmental factors are forecast to derive the best strategy for reaching the organization's objectives.

Capital Expenditure Budget

The capital expenditure budget is a listing of important long-term projects to be undertaken and capital (fixed assets such as plant and equipment) to be acquired. The estimated cost of the project and the timing of the capital expenditures are enumerated along with how the capital assets are to be financed. The budgeting period is typically for three to ten years. There may be a capital projects committee solely created for this purpose, which is typically separate from the budget committee.

Budgetary Process

A sound budget process communicates organizational goals, allocates resources, provides feedback, and motivates employees. The budgetary process should be standardized by using budget manuals, budget forms, and formal procedures. Software, Program Evaluation and Review Technique (PERT) and Gantt facilitate the budgeting process and preparation. The timetable for the budget must be kept. If the budget is a "rush job," unrealistic targets may be set.

The budget process used by a company should suit its needs, be consistent with its organizational structure, and take into account human resources. The budgetary process establishes goals and policies, formulates limits, enumerates resource needs, examines specific requirements, provides flexibility, incorporates assumptions, and considers constraints. The budgeting process should take into account a careful analysis of the current status of the company. The process takes longer as the complexity of the operations increase. A budget is based on past experience plus a change in light of the current environment.

The six steps in the budgeting process are:

1. Setting objectives
2. Analyzing available resources
3. Negotiating to estimate budget components
4. Coordinating and reviewing components
5. Obtaining final approval
6. Distributing the approved budget

A budget committee should review budget estimates from each segment, make recommendations, revise budgeted figures as needed, and approve or disapprove of the budget. The committee should be available for advice if a problem arises in gathering financial data. The committee can also reconcile diverse interests of budget preparers and users.

The success of the budgeting process requires the cooperation of all levels within the organization. For example, without top management or operating management support, the budget will fail. Those involved in budgeting must be properly trained and guided in the objectives, benefits, steps, and procedures. There should be adequate supervision.

Although planning differs among entities, it is the direction of the entity over a period of time to accomplish a desired result. Planning should link short-term, intermediate-term, and long-term goals. The objective is to make the best use of the entity's available resources over the long term. Budgeting is simply one portion of the plan. The annual plan may be based on the long-term plan. The annual budget should be consistent with the long-term goals of the entity. There should be a climate conducive to planning and friendly relationships. An objective of planning is to improve efficiency. Plans are interrelated.

In planning, management selects long-term and short-term goals and draws up plans to accomplish those goals. Planning is more important in long-run management. The objectives of a plan must be continually appraised in terms of degree of accomplishment and how long it takes to implement. There should be feedback as to the plan's progress. It is best to concentrate on accomplishing fewer targets so proper attention will be given to them. Objectives must be specific and measurable. For example, a target to decrease cost by 20 percent is definite and specific. The manager can measure quantitatively the progress toward meeting this target.

The main cost in our entity is personnel. It should be our goal to improve our efficiency through innovation that both promotes efficiency and cost savings. This can be done by sharing the cost savings with the employees that help with the innovations that are efficient and save money. Inefficiencies waste money

The plan is the set of details implementing the strategy. The plan of execution is typically explained in sequential steps including costs and timing for each step. Deadlines are set.

The planning function includes all managerial activities that ultimately enable an organization to achieve its goals. Because every organization needs to set and achieve goals, planning is often called the first function of management

A budget should be prepared for each department. Divisional budgets should be consolidated in a binder, and each department should have a separate file folder. The Chief Executive Officer (CEO) should distribute an executive budget memorandum to each department manager detailing the schedule, policies, and benchmarks for next year's budget. Responsibility should be assigned for collection and consolidation of budget information. Budget instructions, forms, and timetables should be provided. Budget forms should be simple and easy to follow.

The budget committee should consider the following items before approving a budget: accuracy of budgetary numbers, reliability of information upon which estimates are based, budget integration, reliability of source data, budgetary assumptions, and achievability of budgetary goals.

Each department should be included in a separate section of the manual with index tab. Operating department managers and employees should provide input in the preparation of the budget manual. Managers and workers may have

different information to impart. There may be operating problems, constraints, and limitations that must receive attention. There should be a standard cost table for different types of expenses used by managers of different departments throughout the organization. This allows for consistency and uniformity.

The manual should be in loose-leaf form so pages may be substituted for updates.

The budget manual should contain:

- Budget objectives, purposes, procedures, guidelines, and policy
- Desired accomplishments
- Data description
- Personnel duties (who is to prepare, review, approve, and revise the budget).
- Who has authority and responsibility for budget items (There should be a designation of manager or subordinate who will perform the activity.)
- Approval requirements
- Who is to evaluate the difference between budget and actual figures, and who is to take corrective action and when
- Budget timetable
- Illustrative forms, lists, and reports
- Glossary of terminology
- Instructions to complete budget activities
- Uses of budget information
- Policies for budget modification and update calendar
- Communication between upper management and subordinates
- Coordination between departments of the budget
- Explanatory footnotes.

Budget Audit

A budget audit examines whether the budgeting process is effectively operating. It is an evaluation of the budgeting effort. The budget audit examines techniques, procedures, motivation, and budget effectiveness. Effective budgeting should be dynamic.

A budget audit detects problems in the budgeting process. It should be conducted every two to three years by an independent party not a part of the budget staff. The budget auditor should report to upper management, who can take

appropriate action. An outside consultant should be independent and objective, and should provide fresh ideas.

There is an audit plan which assists in arriving at corrective action. The budget audit considers:

- Cost trends and controls
- Budget revisions
- How adequately costs were analyzed
- How costs were identified and classified
- Looseness or tightness of budget allowances
- Completeness of budget documentation, records, and schedules
- Degree of participation by managers and workers
- Quality of supportive data
- The degree of subjectivity involved

From Government Finance Officer Association

Increasing demand for public safety and social services, the weak economy, and a "no new taxes" political environment have placed many governments between a rock and hard place. Although elected officials are ultimately responsible for making difficult budget balancing decisions, they could not make informed decisions without the analytical skills, political savvy and creativity of the budget analysts working behind the scenes. Fortunately budget analysts today are better trained, employ more sophisticated techniques, and have more powerful technology at their disposal than ever before.

"No New Taxes" Political Environment

Although the responsibilities of state and local government have grown, the potential resources available to budget analysts have shrunk. Because of a change in the political climate, elected officials (and the voters they represent) are increasingly resistant to tax increases. This "no new taxes" political environment has created a demand for budget analysts who are not only technically proficient, but also politically savvy and creative. This type of budget analyst has the creativity to locate new, politically acceptable sources of revenue and to find ways of doing more with less through privatization, alternative service delivery, and increased efficiency.

Knowledge of Innovations in Budgeting

Budget analysts should be familiar with best practices and innovations in state and local budgeting. Three of the most important sources of best practices in the field of government budgeting include the NACSLB's recommended budget practices, the GFOA Budget Awards program, and GFOA's recommended practices on budgeting. Budget analysts also should be familiar with alternative budget formats (i.e., program, performance, zero-base, etc.) and planning techniques (i.e., strategic planning, long-term financial planning, multi-year budgeting, etc.)

Internal training.

Internal training is training conducted by the organization itself on the processes, procedures, forms, and responsibilities specific to the government. An example of this form of training is an orientation program for new analysts. For training to be effective, it should be accompanied by written instructions such as an orientation manual or a budget procedures manual.

KEY SKILLS OF BUDGET ANALYSTS

Interpersonal and Communication Skills

- * Cooperation
- * Networking
- * Persuasion
- * Political savvy
- * Negotiation
- * Conflict resolution
- * Interviewing
- * Listening
- * Oral and written communication

Financial and Policy Analysis Skills

Analytical concepts:

- * Inflation
- * Time value of money
- * Sunk cost
- * Opportunity cost
- * Fixed versus variable cost
- * Differential cost
- * Marginal cost
- * Basic statistics

Analytical tools and techniques:

- * Decision tables
- * Expected value tables
- * Weighted score tables
- * Decision trees
- * Break-even analysis
- * Net present value analysis
- * Return on investment analysis

- * Cost-benefit analysis
- * Fiscal impact analysis
- * Cost-effectiveness analysis
- * Sensitivity analysis
- * Expenditure and revenue analysis and forecasting
- * Budget variance analysis
- * Financial condition analysis
- * Performance measurement
- * Performance auditing
- * Program evaluation
- * Management analysis
- * Capital improvement programming
- * Cost accounting and cost analysis

Exhibit 2

GFOA TRAINING AND DEVELOPMENT RESOURCES FOR BUDGET ANALYSTS

Training Seminars

- * Budgeting for Budget Analysts
- * Financial Planning and Forecasting
- * Designing Performance Measurement Systems
(Introduction)
- * Costing Government Services
- * Capital Budgeting and Finance
- * Implementing Performance Measurement Systems
(Advance)

Publications

- * Decision Tools for Budgetary Analysis
- * Priority-Setting Models for Public Budgeting
- * Benchmarking and Measuring Debt Capacity
- * Revenue Analysis and Forecasting

* The Operating Budget: A Guide for Smaller Governments

* An Elected Official's Guide to Performance Measurement

To register for GFOA training seminars or purchase GFOA publications, call 312/977-9700 or visit the e-Store at www.estoregfoa.org.