Budget Development Process - Operating

Budget's "BIG" Six

When developing your FY 2014-15 departmental budgets, there are **six areas of importance** that a department **must be sure to address** prior to submitting your FY 2014-15 proposed budget and multi-year capital plan: end-of-year projections; operating base budget preparations; proposed operating enhancements; proposed operating reductions; personnel information; and capital budget planning.

Budgeting is a means of understanding how much resource is required for a department to provide service at a particular level. At the top of the budget hierarchy, there are two major kinds of budgets, an operating budget and a capital budget. Both capital and operating budgets are built through an entirely different budget process and both have different criteria for prioritizing and deciding spending. An operating budget typically plans a budget for a 12-month period where as a capital budget focuses more on a multi-year expenditure plan. Budgeting gives the department the ability to effectively manage its resources to ensure the proper mix of costs and services as well as the most effective and efficient use of its dollars. The Department's budget projections and preparations should be a collaborative effort of both the operating and capital elements, for each affects the department's ability to provide services; build, and/or maintain an existing or new facility; or support other assets.

1) Operating/Capital End-of-Year Projections

Calculating a department's end-of-year projections for both operating and capital is crucial not only to the Department but most importantly, to County's end-of-year financial condition when making decisions for the upcoming fiscal year. It is important that the Department provide as realistic an end-of-year projection as possible when formulating its FY 2014-15 budget submission. Accurate projections allow the department and County to better manage revenues and expenditures appropriately when making decisions on attaining strategic goals.

When formulating your end-of-year projections it is important that it be based on actual revenue and expenditure experience, not your department's authorized operating/capital budgets. Your projections should be updated as changes occur throughout the year, in the County's budget development systems including the Capital Improvement Information System (CIIS).

The Department's end-of-year projections, together with the budget submission and proposed property tax rates, are the major components from which OMB balances the County's FY 2014-15 Proposed Budget and Multi-Year Capital Plan. This is why it is so important for departments to enter accurate and updated current fiscal year projection information, as it is extremely crucial to the County's fiscal planning process. Throughout this Manual, brief guidelines are provided regarding where departments should enter their end-of-year projections while entering their FY 2014-15 base budget submissions in the County's budget development systems (BAT and CIIS).

2) Operating Base Budget Preparation

A base budget is a budget that forecasts cost to provide the same level of service in FY 2014-15 as in FY 2013-14. When formulating the FY 2014-15 base budget, it is important for departments to focus not only on the operating side, but also the capital side as well as both are equally important. Departments **must** submit an operating budget that forecasts the costs needed to provide the same level of services in FY 2014-15 as in FY 2013-14. Another way to

think of the base budget is to consider it a **status quo** operating budget. Base estimates should not be an incremental exercise which assumes that all resources currently in the base are still required into the next fiscal year. The Department should carefully analyze both the current level of service and operating/capital resources, and information derived from end-of-year projections to assess the possibility of efficiencies that may allow the department to deliver the same services with fewer resources in the coming fiscal year.

3) Operating Enhancements

A budget enhancement is when a department requests additional funding for the upcoming fiscal year to provide new services or enhance/improve an existing service not currently provided in their current budget. The County's budget development systems provide the means for departments to enter all costs needed to implement the desired additional amounts of current services, new services, and/or enhanced/improved services. When proposing operating enhancements, it is important that department's take into account reasonable lead times that may affect the implementation of any new program or activity such as hiring processing time, procurement delays, etc. When requesting service enhancements, the Department should have readily available, the projected performance impact to the Department, as a result. Service enhancements **will not be** incorporated into the Department's FY 2014-15 Proposed Budget and Multi-Year Capital Plan until it has been reviewed and approved by the County Mayor.

Important:
> **Departmental service enhancements are submitted separately from the base budget process as they are reviewed through a different process.**

4) Operating Reductions

The County's budget development systems provide the means for departments to enter all personnel and other operating savings associated with deliberate reductions in the provision of services. As with enhancements, the Department should have readily available the projected performance impact of the proposed service reductions, as a result. Reductions will not be incorporated into the Department's FY 2014-15 Proposed Budget and Multi-year Capital Plan until reviewed and approved by the County Mayor.

Important:
> **Departmental reductions are submitted separately from the base budget process as they are reviewed through a different process.**

5) Personnel Information

Staffing is typically the largest segment of an organization's budget. So it is important when preparing the Department's FY 2014-15 Proposed Budget and Multi-Year Capital Plan to ensure that your proposed budget covers all your personnel assumptions. Incorrect personnel assumption can severely impact a department's budget.

Important:
> **Be sure to work with your OMB Budget Analyst on any personnel issues you may have to ensure the FY 2014-15 Proposed Budget and Multi-Year Capital Plan is developed as accurately as possible.**

6) Capital Budget Planning

When developing your FY 2014-15 Proposed Budget and Multi-Year Capital Plan consider the feasibility of any capital expenditures such as new construction, major renovations and/or new equipment. Determine if there is a projected operational impact and whether the department can sustain the cost in future years when preparing your FY 2014-15 capital plan. Should there be an operating impact, it is important that the capital division work collaboratively with the operating division to assess the fiscal impact to the department's operating budget.

Capital budget requests, just as the operating budget, should reflect the County's Strategic Plan (http://www.miamidade.gov/managementandbudget/strategic-plan.asp) and the departments' individual Business Plans.

Important:

If you are submitting any IT capital projects that are over $50,000, it is IMPORTANT that those IT business cases be submitted first, through the IT Governance process. Please note that any IT projects over $50,000 that have not been submitted through the IT Governance process will NOT be considered for funding through the capital budget process. (Refer to Appendix I for more detailed information)

Operating/Capital End-of-Year Projections

Planning out your Department's end-of-year projections each year could be one of the most important things you do for your Department. The results – the projections- are important because it helps your department plan for change both inside and outside the organization. Through projections, you are able to recognize problems and opportunities. Projections allow you the ability to react to new opportunities instead of just plugging along.

Below are several good reasons why projections are important:
1. To help you anticipate problems early
2. To provide you with vital feedback on how you are doing and gives you control to take corrective action
3. To provide you the ability to establish milestones and commit to targeted results
4. Most importantly, to provide you with important information about your cash flow and spending patterns

When formulating your departmental projections it is important that you **DO NOT:**
1. Overstate and/or understate your expenditures and/or revenues

   Examine each line item to ensure that it makes sense. Is your year-to-date revenue figure where you thought it should be or has it fallen short? Are your revenue estimates reasonable? Are your expenditures/revenues tied to your department's planned goals?

2. Ignore your immediate budgetary needs

   Did you account for everything you needed to?

3. Underestimate or overestimate project timelines

> Did you include the fiscal impact of those projects nearing completion? Are there projects finishing ahead of schedule that may impact your budget or a project that is delayed?

4. Work in a silo

> It is important to attain feedback from your various divisions (to include operating and capital) to ensure that all the information required for an accurate projection is attained as best as possible.

A good sound projection process can develop and advance a department while sloppy budgeting and monitoring can blindside a department. Accurate departmental projections allow the Department the ability to make better financial decisions and plan accordingly.

Operating Base Budget Preparations

The most important part of budgeting is the analysis of your operations and the associated costs. As part of the budget development process, departments should ensure that the budget aligns with the business plan and provides for base level service needs. In addition, as part of this process, departments should identify process improvements to generate efficiencies that may result in either reductions or enhancements to existing levels of service.

Departments should look for easy fixes to improve processes and create efficiencies first, commonly referred to as *"low hanging fruit"*. The County and numerous departments already have in place formal programs to collect process improvement and efficiency suggestions; these improvements, to the extent they include dollar savings, should be reflected in the submitted budget.

As previously mentioned departments should carefully analyze the current level of resources assigned to the department and assess the possibility of further efficiencies that may allow the department to deliver the same services with fewer resources or enhance services utilizing the same resources. Base budget estimates should not be an incremental exercise which assumes that all resources currently in the base are still required into the next fiscal year.

Departments may also implement other processes to identify easy to implement improvements and efficiencies. Initiatives or goals identified in your department's business plan may also provide areas where efficiencies and service improvements may be identified. These efforts may be considered "*low hanging fruit"'* in the sense that they have already been vetted through the business plan development process and their implementation may already be underway.

Tip:

To ensure that easy fixes and efficiencies are continuously identified and implemented, the department should promote staff input, this input should occur annually during a specific time of the year, the process should remain simple to administer, and administrative staff should ensure that dollar efficiencies are reflected in the department's FY 2014-15 budget submission.

Departments should be evaluating processes-comparing actual performances to projected performances. By reviewing these processes from time to time, it allows the Department the ability to make ambitious changes in how they provide services to the public, or at what cost

they provide those services. The following below are a few things to keep in mind when deciding on or beginning a process review of an activity.

- Focus on one division or service at a time
- Create a timeline with goals regarding the review and stick to them
- Communicate often with any departmental staff that may be affected by the review
- Review of your expenditure and revenue trends for this service (go back at least 3 years)
- Review any performance information to analyze the effectiveness of current services, given current expenditures
- Review services provided by best practice and peer group organizations, and compare your service costs with them. Resources to assist with this analysis include: contacting or visiting other jurisdictions, review of industry journals and web-based resources, interviews with academic, business, non-profit and government service experts, and attendance at industry-related conferences
- Assess internal challenges for implementing improved or more efficient services within your department and create a strategy for addressing those challenges
- Identify recommendations for improvements that can be implemented in the short-, medium- and long-term
- Create a timeline with goals regarding the implementation of service improvements and expected cost efficiencies and stick to them
- Provide a forum to provide updates on the review and implementation of recommendations
- Ensure that dollar savings are reflected in the department's resource allocation plan submission
- If improvements will require additional funding, please contact your OMB budget analyst

Tip:

For more information and assistance on how to begin and/or conduct these process reviews, please contact your OMB Budget Analyst.

Rates for Other Operating Costs for FY 2014-15

Departments will find rate information for County support services listed below in Appendices A through G.

Important:
Review this section very carefully to identify which services are used by your department and allocate the appropriate dollars in your FY 2014-15 Proposed Budget and Multi-year Capital Plan submission.

Appendix A – Personnel Assumptions and Rates
- Salary and Fringe Related

Appendix B - Information Technology Department
- Technology Services
- Telecommunication Services

Appendix C - Finance and Office of Management and Budget
- Indirect Service Costs for Certain Federal Grants

Operating Enhancements

Budget enhancements identify a departmental opportunity or problem, a course of action to address it, the justification of the need, and the financial impact to the department as a result of implementation. When submitting a departmental operating enhancement request, it is important that you have a real clear identifiable need and that it can be justified with some sort of measurable performance indicator. In addition, be sure to accurately reflect your true budgetary need. General rule of thumb when budgeting for salaries, is to budget salaries at 75 percent, knowing implementation will not happen immediately.

Operating Reductions

In this fiscally challenging economy, reducing operating expenses is the number one objective for departments when and where feasible. Operating expenses are those expenditures that a department incurs as a result of performing normal business operations. These expenses may include but are not limited to utilities, fuel, office supplies, insurance, materials, professional services, equipment etc. When reducing operating expenses **DO NOT** reduce for the sake of reducing, look at the **"BIG"** picture such as:
- Did cost for utilities drop?
- Do we need to order less office supplies as a result of decreasing staff or services?
- Can we do more things internally rather than hiring an outside consultant?
- Is there a real definable need to purchase new equipment or is it economically feasible to lease or repair it instead?
- If you have decreased your services or if you're a providing service more efficiently, do you still need to purchase the same amount of materials?

These are just a few general questions you need to ask when preparing your department FY 2014-15 Proposed Budget and Multi-Capital Plan submission. By examining the "BIG" picture more closely, you may find areas where you have been incurring unnecessary expenses. In addition, look at historical trends for decreasing spending patterns. When looking at ways to reduce your departmental budget, do not use the slash here and there approach as there is no formal thinking other than just cross cutting reductions. This approach may be a short-term solution but lead to long-term disastrous results because short-term solutions may be unsustainable in the long run. Clearly, good strategies are critical to making sound budgetary decisions.

Personnel Information

Personnel budgets vary from department to department. For some departments, the personnel budget can be as high as 80 percent of a Department's budget and for that reason, it is important that you ensure the value budgeted is the correct value needed to sustain the staff within your department. Personnel errors in the budget can severely impact a department financially. Although BAT is programmed to calculate most of the personnel assumptions for your department like health and dental insurance and MICA and FICA, it is important that you check for accuracy and errors. When budgeting for personnel there are a few simple check items, to think about such as:

- Does your budget include merits, reclasses, longevity payments, and furloughs (as deemed necessary)?
- Did you account for termination payouts (for those known individuals projected to leave the organization in the upcoming fiscal year)?
- Does your budget account for vacant positions? And most importantly, does your personnel count match your departmental functional table of organization and divisional staffing chart?

Preparing Personnel Charts

There are **two** types of organizational charts required as part of your FY 2014-15 departmental proposed budget submission:

(1) Functional Table of Organization
(2) Divisional Staffing Chart

Both organizational charts are important in the planning process as they provide insight into the Department's overall management structure, the relationship between divisions, positions within a division, divisional responsibility, and general departmental overview of the divisions.

In preparing your organizational charts, you will need to be familiar with the following personnel terminology:

In-Stationed:
An in-stationed employee is funded by another department but assigned to yours for work. In-stationed employees must be indicated on your divisional-staffing chart, but *should not* be included in your total departmental position count. An in-stationed employee reflected on your department's staffing chart must correspond to an out-stationed employee on the partnering department's staffing chart.

Out-Stationed:
An out-stationed employee is funded by your department but assigned to another. Out-stationed employees must be indicated on the divisional-staffing chart, and *should* be counted in the position totals. An out-stationed employee reflected on your department's staffing chart must correspond to an in-stationed employee on the partnering department's staffing chart.

Part-time Full-time Equivalent (FTE):
Any number of part-time employees whose work equals the out-put of one full-time employee.

Functional Table of Organization
The purpose of the Functional table of organization (TO) is to show the relationships between divisions and provide a brief synopsis of the objectives within each divisional unit.

TABLE OF ORGANIZATION

*OFFICE OF THE DIRECTOR

- Formulates departmental policy, provides overall direction for Department operations, serves as Building Official for Miami-Dade County and enforces the Florida Building Code (FBC) and other regulations applicable to the construction and maintenance of buildings

FY 07-08	FY 08-09
4	3

*ADMINISTRATION

- Provides administrative support including the preparation and monitoring of the operating budget; manages billing, collection and disbursement of revenue, procurement, and consultant contracts

FY 07-08	FY 08-09
38	25

INFORMATION AND PERMIT SUPPORT

- Receives and processes construction permit applications, inspection requests and results, and Certificates of Occupancy; directs computer services, communication and public information

FY 07-08	FY 08-09
84	54

PERMITTING

- Ensures compliance with the FBC and other applicable regulations through review of plans, inspection of construction, and enforcement activities

FY 07-08	FY 08-09
182	128

UNSAFE STRUCTURES/ENFORCEMENT

- Directs, issues and processes FBC and unsafe structures violations, internal investigations, quality control, personnel, labor management and affirmative action and enforcement activities

FY 07-08	FY 08-09
36	24

*In the Table of Organization, Administration and the Office of the Director are reflected as Administration in the Financial Summary

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Important:

      Functional TOs should be limited to one 8 ½ x 11 page only when submitted. Where there are exceptions, they should be represented in a manner that is easily understood, and where relationships can be visibly seen. Any questions regarding this should be directed to your OMB Budget Analyst.

Division Staffing Chart

The objective of the Division Staffing Chart is to show a more detailed position synopsis of the department within the individual divisions. The staffing chart should be prepared by using the OnDemand system with the report "Pay/R363310A/BW/DOC/01", which divides the department by divisions. OnDemand will allow you to put the report into excel in order to format it for future use.

For the purpose of your department's FY 2014-15 proposed budget submission, the Staffing TO should contain the following information:

- Clearly defined divisional titles
- FY 2013-14 full-time, part-time, and in-stationed adopted position counts for each division
- FY 2014-15 full-time, part-time, and in-stationed proposed base position counts for each division
- Total overall departmental position count for the FY 2013-14 Adopted and the FY 2014-15 Proposed Budget
- Identify all departmental out-stationed positions for FY 2013-14 and FY 2014-15 List Supervisors/Managers first in each division; highlight Division Chiefs and above.

On the following page is an excerpt of the Finance Department staffing chart:

Please note how Division Directors/Managers and above are highlighted

FINANCE DEPARTMENT
DIVISION STAFFING CHART
FY 10 BUDGET - FY 11 BASE

Director's Office Fund 030		
FY09-10		FY10-11
1	Director 0398	1
1	Deputy Director 0397	1
1	Exec. Asst. to Dir. 0396	1
1	Sr. Exec. Secretary 0096	1
1	Sr. Human Res Mgr. 0417	1
1	Personnel Specialist II 0411	1
1	Personnel Specialist I 0410	1
7		7

Bond Administration Fund 030		
FY09-10		FY10-11
1	Dir., Bond Admin. 0389	1
0	Dir., Bond Admin. Designee	1
3	Bond Analyst 0387	3
1	Accountant III 0317	1
1	Accountant I 0315	1
1	Finance Admin. Coord. 0395	1
1	Executive Secretary 0095	1
1	Secretary 0031	1
9		10

Cash Management Fund 050		
FY09-10		FY10-11
1	Dir., Cash Mgt. 0386	1
1	Dir. Cash Mgt. Designee 0385	0
1	Chief Portfolio Mgr. 9348	1
1	Portfolio Manager 0333	1
1	Asst. Portfolio Manager 0330	1
1	Inv. Portfolio Spec. 0331	1
1	Inv. Portfolio Clerk 0329	1
1	Account Clerk 0310	1
8		7

Please note how out-stationed employees are accounted for

Full Time Position Count - Summary FY09 Budget - FY10 Base		
FY09-10	Division	FY10-11
7	Director	7
95	Controller	94
32	Tax Coll.	30
8	Cash Mgt.	7
9	Bond Admin.	10
151	Total	148
4	DHS	4
155		152

Controller Fund 030		
FY09-10		FY10-11
Controller Administration		
1	Controller 0377	1
1	Asst. Controller 0375	1
1	Buyer	0
1	Admin Sec 0094	1
4		3
Accounts Payable		
1	Asst Controller 0375	1
0	Accountant IV 0318	1
2	Accountant III 0317	1
3	Accountant II 0316	3
3	Accountant I 0315	3
3	Clerk IV 0013	3
1	Clerk II 0011	1
1	Clerk I 0010	1
16	Account Clerk 0310	16
1	Data Entry Spec. I 0015	1
1	AP Comp. Spec. 0328	1
32		32
Accounts Payable - Funded by DHS		
1	Accountant III	1
1	Accountant II	0
0	Accountant I	1
2	Account Clerk	2
4		4
36		36
Payroll		
1	Accountant IV 0318	1
1	Accountant III 0317	1
2	Accountant II 0316	2
2	Accountant I 0315	2
1	Account Clerk 0310	1
1	Office Support Specialist	1
8		8
Bank Reconciliation		
1	Accountant III 0317	1
2	Accountant II 0316	2
1	Accountant I 0315	1
1	Account Clerk 0310	1
1	O.S.S. II 0021	1
1	Clerk IV 0013	1
1	Clerk II 0011	1
8		8
FEMA / Hurricane		
1	Accountant III 0317	1
3	Accountant II 0316	3
1	Accountant I 0315	1
2	Account Clerk 0310	2
7		7

Tax Collector Fund 030		
FY09-10		FY10-11
Tax Collector Admin		
1	Tax Collector 0371	1
2	Asst Tax Col 0370	2
1	Admin Secretary 0094	1
1	Buyer 0270	1
1	Admin. Officer II 0811	1
1	Fin Info Sys Admin 0321	1
1	Spec Proj Adm II 0832	1
1	Chief Bus Lic & Tax	0
9		8
Tax Collector IT		
2	Network Manager 1832	1
1	Sr. Sys Ana/Prog 1845	1
2	Sys Ana/Prog I 1843	2
2	Computer Tech 1827	2
7		6
Auto Tag		
1	Chief, Finance 0379	1
1	Admin. Officer II 0811	1
1	Tax Coll Supv II 0361	1
1	Tax Coll Supv I 0360	1
1	Tax Col Mgr 0362	1
1	Clerk IV 0013	1
2	Sr Tax Rec Spec 0351	2
8	Tax Rec Spec II 0350	8
0	Inventory Clerk 0202	0
16		16

Please note how TO reflects span of control (i.e. supervisor/manager listed first)

⭐ **Important:**

Division Staffing Charts should be presented in an 8 ½ x 11 format. Multiple pages are acceptable. Any questions regarding this or how to work with OnDemand should be directed to your OMB Budget Analyst.

Budget Submission Checklist

Although each budget analyst will review departmental budget submissions somewhat differently, most analysts will be reviewing the plans with the following questions in mind:

- Does the Department's budget submission align with the departmental business plan?

- Did the Department submit any operating enhancements? Were these enhancements added to the base budget or provided separately? Did the Department provide projected performance impact as a result of the enhancement? Did the Department justify its need for the enhancement? Is the cost of the enhancement accurate?

- Did the Department submit any operating reductions? Were these reductions included as part of the base budget submission or provided separately? Is this really considered a reduction or operating efficiency? Did the Department provide projected performance impact as a result of the reduction/efficiency? Is the cost the reduction accurate?

- If cutbacks in existing services are necessary, which services should be eliminated first? Which services could be scaled back? Which service, if scaled back, would become unproductive? What efficiencies can generate savings within existing services?

- Did the Department budget attrition? Why or why not? What is the attrition rate/value? How many vacancies does the Department currently have? How many positions are in the current budget vs the proposed budget? Does the position count match RFRO and the department's functional table of organization and staffing chart?

- Did the Department budget for furloughs? If so, what is the projected cost estimate and for what collective bargaining units?

- Did the Department budget for merits? If so, what is the value? Did the Department budget for termination payouts? If so, who, the cost, and their anticipated leave date?

- Did the Department over estimate and/or under estimate their revenues? Where there any changes to their revenues and why?

- Did the Department submit a capital plan? If no, why not? Is it realistic? Are there operating expenses associated with the project? Is it noted? Does their current spending pattern reflect what is budgeted and their true needs? Did the Department submit any new capital requests? Does the revenue source match their budgetary allotment? What is different from FY 2013-14 compared to FY 2014-15?

- Did the Department budget accordingly as per the FY 2014-15 budget manual?

- Did the Department include fee increases as part of their FY 2014-15 budget submission?