

ADD-ON

Agenda Item #: 6H-1
11:30 TIME
CERTAIN

PALM BEACH COUNTY

BOARD of COUNTY COMMISSIONERS

AGENDA ITEM SUMMARY

Meeting Date: 3/13/07

[] Consent [X] Regular
[] Public Hearing

Department:

Submitted By:

Internal Auditor's Office

Submitted For:

Budget Advisory Committee

I. EXECUTIVE BRIEF

Motion and Title: Staff requests Board direction regarding the action plans presented by the subcommittees of the Budget Advisory Committee.

Summary: The Budget Advisory Committee established four subcommittees to focus on; Budget Process, Operating Budgets, Capital Budgets, and Performance Measures. The subcommittees, which have one member each, have developed proposed plans of action for carrying out their intended research activities. The Budget Advisory Committee is requesting Board direction concerning the proposed plans of action to determine that the proposed plans are in accordance with the desires of the County Commission.

Countywide (PFK)

Background and Justification:

Each subcommittee has developed a plan of action for conducting its research efforts. The Budget Process subcommittee will base its research on the recommended practices of the National Advisory Council on State and Local Budgeting. The Operating Budget subcommittee will analyze information received relating to operating budgets and recommend specific actions which can be taken to reduce budgeted expenditures. The Capital Budget subcommittee will analyze information received relating to overall process of proposing, approving and managing capital projects and recommend specific actions which can be taken to reduce budgeted expenditures. The Performance Measurement subcommittee will develop recommendations for the use of performance measures as tools in developing, approving and managing budgets.

Attachments:

Budget Process subcommittee draft report #3 dated 03/07/07

Operating Budget subcommittee analysis method dated 03/07/07

Capital Projects subcommittee request for data dated 2/27/07

Task Plan for Performance Measurement subcommittee

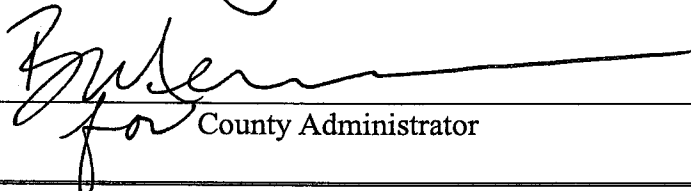
Recommended by:


Internal Auditor

3.9.07

Date

Recommended by:


County Administrator

3/12/07

Date

II. FISCAL IMPACT ANALYSIS

A. Five Year Summary of Fiscal Impact:

Fiscal Years	2006	2007	2008	2009	2010
Capital Expenditures					
Operating Costs					
External Revenues					
Program Income (County)					
In-Kind Match (County)					
NET FISCAL IMPACT					
# ADDITIONAL FTE					
POSITIONS (Cumulative)					

Is Item Included In Current Budget? Yes ____ No ____
Budget Account No.: Fund ____ Agency ____ Org. ____ Object ____ Program
Number ____ Revenue Source

B. Recommended Sources of Funds/Summary of Fiscal Impact:

Department Fiscal Review:

III. REVIEW COMMENTS:

A. OFMB Fiscal and/or Contract Administration Comments:

Richard Roberts 3/9/07
Budget/OFMB
PM 3-9-07

NA
Contract Administration

B. Legal Sufficiency:

Paul F. [Signature] 3/12/07
Assistant County Attorney

C. Other Department Review:

Department Director

This summary is not to be used as a basis for payment.

Budget Process Subcommittee Draft Report 3 03.07.07

On October 5, 2006 the Palm Beach County Board of County Commissioners created an advisory committee to "analyze and review the existing structure, organization, staffing, management, business practices and procedures of county government; and, to make final recommendations to the County Administrator and/or the Board of County Commissioners." The Committee formed subcommittees led by individual Committee members to address four broad areas, one of which is Budget Process.

The purpose of the Budget Process subcommittee is to review and recommend improvements to the processes and procedures used to develop the County's plan and budget. The subcommittee's approach will be guided by the National Advisory Council on State and Local Budgeting (NACSLB), which says that a good budget process:

- Incorporates a long-term perspective
- Establishes linkages to broad organizational goals
- Focuses budget decisions on results and outcomes
- Involves and promotes effective communication with stakeholders
- Provides incentives to government management and employees.

These key characteristics of good budgeting make clear that the budget process is not simply an exercise in balancing revenues and expenditures one year at a time, but is strategic in nature, encompassing a multi-year financial and operating plan that allocates resources on the basis of identified goals. A good budget process moves beyond the traditional concept of line item expenditure control, providing incentives and flexibility to managers that can lead to improved program efficiency and effectiveness.

(Emphasis added, NACSLB, p. 3)

We will first research issues and make recommendations (1) that have the potential to provide significant benefits; and, (2) that are quickly and easily implemented by decision of the BCC or County staff. Within this "Group I", we will give priority to issues that can be implemented to affect the FY 2008 budget. When "Group I" issues have been exhausted, we will turn our attention to other process issues, with the objective of providing guidance to the FY 2009 budget process which will begin in early 2008.

The desired outcome of this meeting is an agreed to BAC work plan that is endorsed by the BCC.

Jack Warner

Budget Process Subcommittee Draft Report 3 03.07.07

Appendix A

The Four Principles (and Twelve Elements) of the Budget Process

1. Establish Broad Goals to Guide Government Decision Making
A government should have broad goals that provide overall direction for the government and serve as a basis for decision making.
 1. *Assess community needs, priorities, challenges and opportunities*
 2. *Identify opportunities and challenges for government services, capital assets, and management*
 3. *Develop and disseminate broad goals*
2. Develop Approaches to Achieve Goals
A government should have specific policies, plans, programs, and management strategies to define how it will achieve its long-term goals.
 4. *Adopt financial policies*
 5. *Develop programmatic, operating, and capital policies and plans*
 6. *Develop programs and services that are consistent with policies and plans*
 7. *Develop management strategies*
3. Develop a Budget Consistent with Approaches to Achieve Goals
A financial plan and budget that moves toward achievement of goals, within the constraints of available resources, should be prepared and adopted.
 8. *Develop a process for preparing and adopting a budget*
 9. *Develop and evaluate financial options*
 10. *Make choices necessary to adopt a budget*
4. Evaluate Performance and Make Adjustments
Program and financial performance should be continually evaluated, and adjustments made, to encourage progress toward achieving goals.
 11. *Monitor, measure, and evaluate performance*
 12. *Make adjustments as needed (NACSLB, p. 5)*

(NACSLB, p. 4-5)

National Advisory Council on State and Local Budgeting, Government Finance Officers Association (NACSLB), Recommended Budget Practices: A Framework For Improved State and Local Government Budgeting, Government Finance Officers Association, Chicago, IL, 1998.

March 7, 2007

**Palm Beach County Budget Advisory Committee
Operating Budget Subcommittee**

Analysis Method

The Budget Advisory Committee was established by the Board of County Commissioners in December 2006 as "a citizens committee which would review County programs, policies and issues which impact the County Budget". The Operating Budget Subcommittee was formed (along with three other subcommittees) to review specific aspects of County expenditures financed by property taxes.

I respectfully request that the BCC confirm its agreement with the following approach being taken by the Operating Budget Subcommittee as it looks for those budget areas which can be reduced in Fiscal Year 2008 without impairing essential services. In other words, the analysis will focus on those expenditures which are controllable without bringing harm to our citizens. This "low hanging fruit" should be identified and, where justified, put back into the pockets of taxpayers.

1. The Fiscal Year 2007 Operating Budget is **\$1.8 billion** of which **\$961 million** is funded through property taxes.
2. For the initial analysis, I will exclude personnel expenses related to Fire-Rescue, PBSO (Sheriff) and County Library.
3. The remaining County expenditures can be broken down into four categories: Personnel, Operating Expenses (paid to third parties such as consultants, lawyers, vendors), Capital Expenditures (including debt service) and Grants.
4. I have requested information through the Internal Auditor for each department and Constitutional Office which breaks down expenditures on this basis. As material is produced, it will be posted at the Committee web site:
www.pbcgov.com/internalauditor/budget-advisory-committee/subcommittee/
5. Based on this information, the Budget Advisory Committee will recommend to the BCC specific action which can be taken to reduce budgeted expenditures while preserving essential services.

Arthur J. Bernstein

Request for Data

February 27, 2007

Budget Advisory Committee, Capital Projects Subcommittee

1. Is there a formal process for reviewing and “sunsetting” or retiring capital projects currently in the budget? If so, does the process include clearly delineated steps for implementing the procedures, with required timelines and assigned accountabilities? Please provide copies of any such procedures, with documentation demonstrating instances where it has been applied.
2. The various budget documents made available to the Advisory Committee members have included lists of capital projects but none contain an expanded discussion of each project, with dates of approval, timelines for completion, percentage completion, funding mechanisms or other pertinent data. Please provide this information.
3. What method is used to track the initiation of, and actual expenditures on, a budgeted capital project which is included in the reserves? How is this method used to reconcile remaining dollars “earmarked” for a specific program at the end of the fiscal year into the next fiscal year’s budget?
4. Has the County developed a visioning or planning process which identifies the priorities the County intends to pursue over the near and long term? Are these priorities incorporated in a plan for operating and capital expenditure and is the current list of capital projects reflective of any systematic set of County priorities? If not, how does the County prioritize its operating and capital budgets?
5. It appears as though roughly 61% of the County’s reserves are committed to existing capital projects (page B-36, *Budget in Brief*, FY 2007). Please confirm the accuracy of that assessment. At what stage of a capital project’s development are funds committed and placed in reserves?

Task Plan for Performance Measures Subcommittee

Goal: The goal of the subcommittee is to develop a proposed strategy and recommendations for consideration by the BCC on the use of proven performance measurement practices for improving the effectiveness of the budget process.

Objectives:

1. Obtain BAC agreement on the meaning and purpose of performance measurement.
2. Establish criteria for defining performance measures.
3. Define a method for using performance measures as a tool for monitoring and improving the efficiency and effectiveness in the delivery of program services funded through budget appropriations.
4. Show how performance measurement can enhance the budget process.

Methodology:

1. Review studies and reports relating to applications of performance measures in setting and achieving organizational goals.
2. Consult with users of performance measurement techniques for process improvement and productivity enhancement.
3. Identify criteria for setting performance measures that have been effective in other governmental organizations.
4. Review performance measures stated in the current PBC budget and evaluate these measures with respect to criteria identified above.
5. Identify ways for evaluating results achieved through implementation of performance measurement practices for program planning and control.
6. Propose strategy and recommendations for improving the budget process based on use of proven performance measurement practices.