

Public Financial Management



For the
Levee Boards

Questions of Concern



- How do I know what my board is getting for its money?
- How do I budget so that I achieve my levee board goals and objectives?
- How do I budget so that I increase my efficiency and effectiveness?
- How can I increase the accuracy of my revenue forecasts?
- How do I control my Board expenditures and minimize the likelihood of corruption?

Budgeting for Results



- You must always budget using state required accounting line / object items but to budget for results you must **also** organize your budget using programs that achieve definable results.
- This means you need to use line item budgeting **and** performance budgeting with a crosswalk to link the two types of budgeting.

Budgeting for Results



- Line item / object budgeting is merely organizing your budget information using the line item / object categories such as supplies, personnel expenses, travel, etc.
- Performance budgeting is organizing your budget information in terms of what you wish to accomplish
 - The positive impacts you wish to make
 - The products or services you render

Budgeting for Results



- Budgeting is always about policy converted to dollars in a particular fiscal year that give your employees managerial direction
- Budgets need to be articulated in tables that should be placed in electronic spreadsheets
- In any given fiscal year, you can crosswalk two or more ways used to organize a budget
 - Crosswalks are the key lynchpin spreadsheets used to create a financial management system
 - You need to link spreadsheets to maximize the usefulness of spreadsheets and create a Public Financial Management System

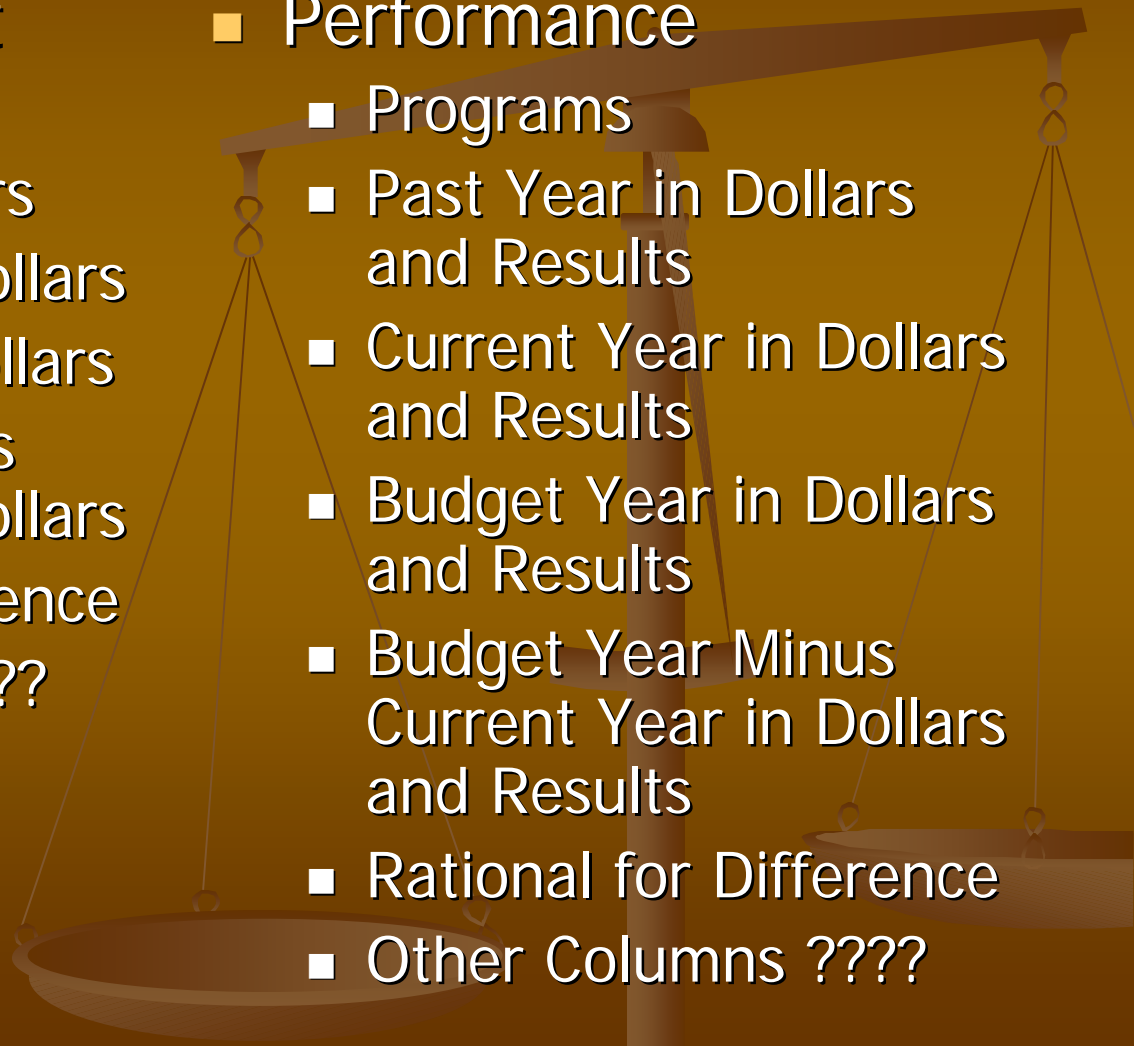
Budgeting for Results

- Line Item / Object

- Line Items
- Past Year in Dollars
- Current Year in Dollars
- Budget Year in Dollars
- Budget Year Minus Current Year in Dollars
- Rational for Difference
- Other Columns ????

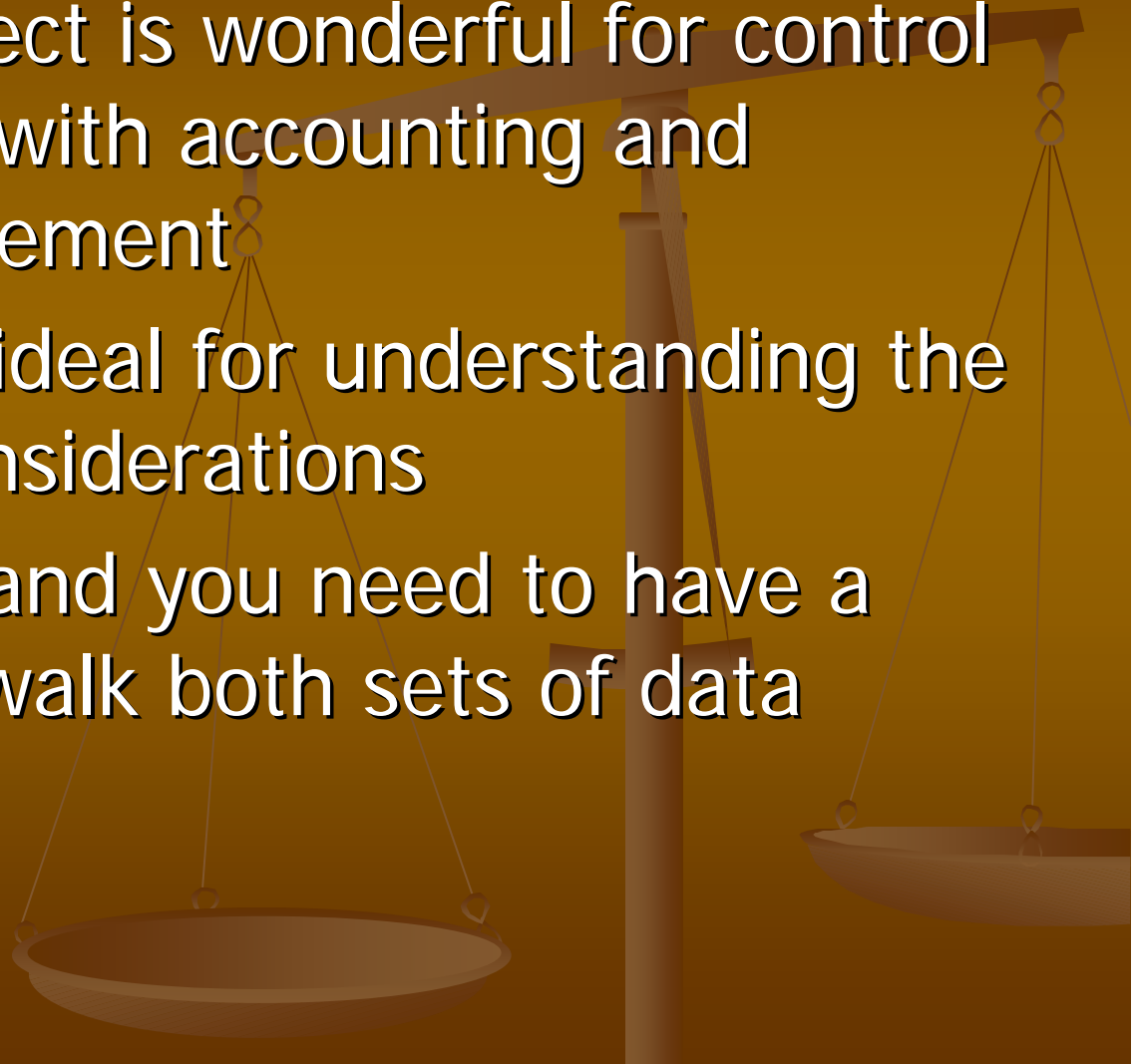
- Performance

- Programs
- Past Year in Dollars and Results
- Current Year in Dollars and Results
- Budget Year in Dollars and Results
- Budget Year Minus Current Year in Dollars and Results
- Rational for Difference
- Other Columns ????



Budgeting for Results

- Line Item / Object is wonderful for control and interfacing with accounting and financial management
- Performance is ideal for understanding the larger policy considerations
- You need both and you need to have a means to crosswalk both sets of data



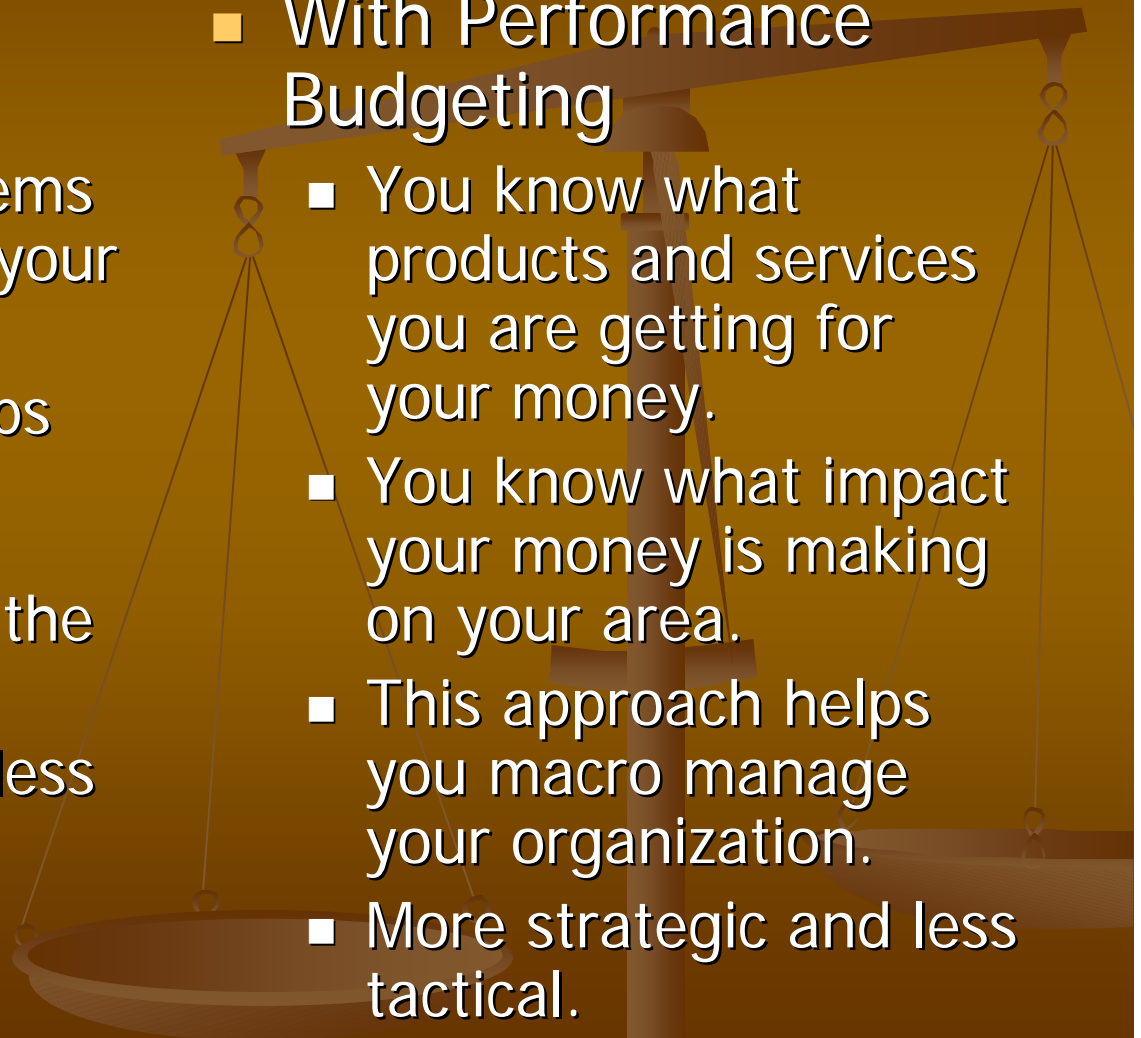
How do I know what my board is getting for its money?

■ With Line Item / Object Budgeting

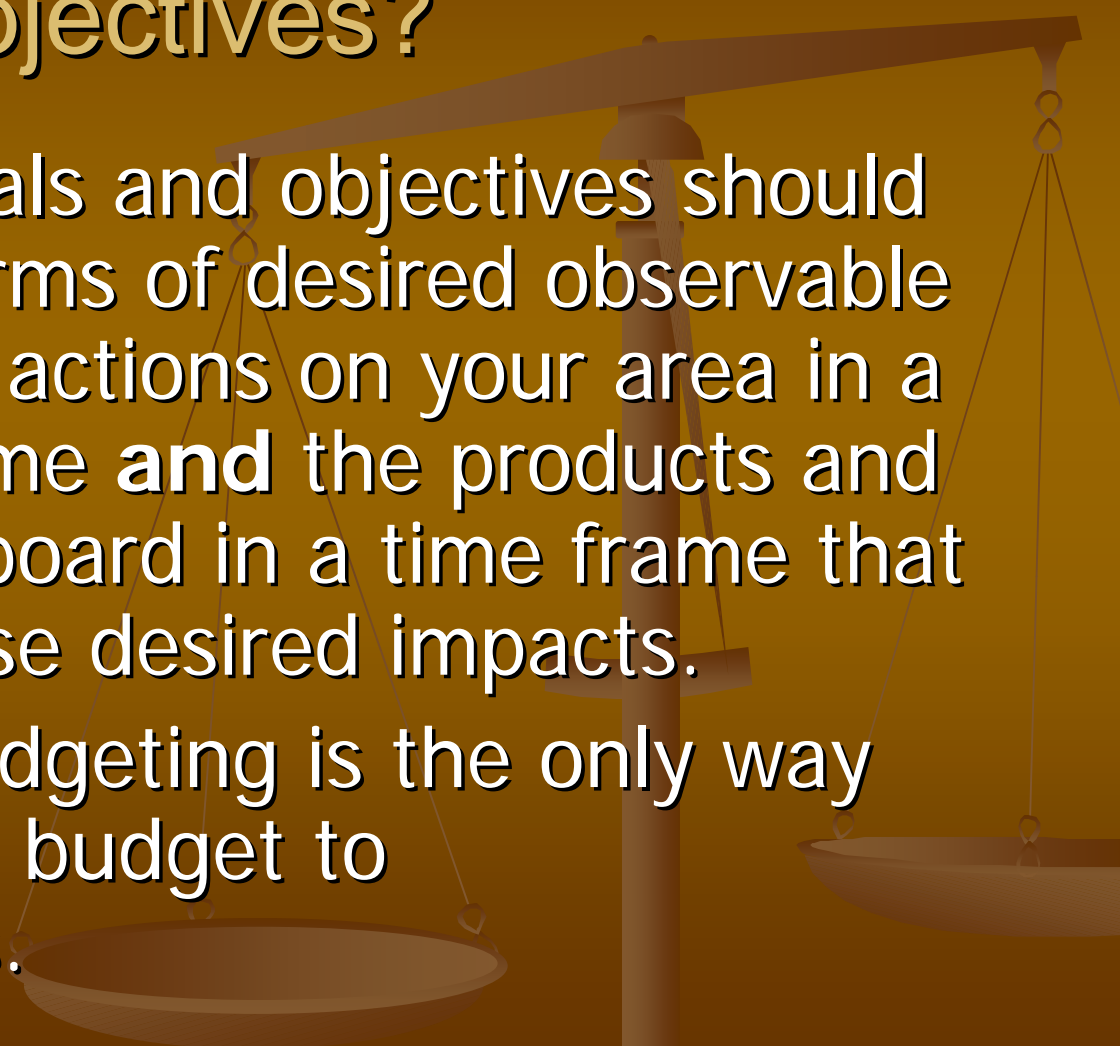
- You know what items you are spending your money on.
- This approach helps you better micro manage you organization from the top.
- More tactical and less strategic.

■ With Performance Budgeting

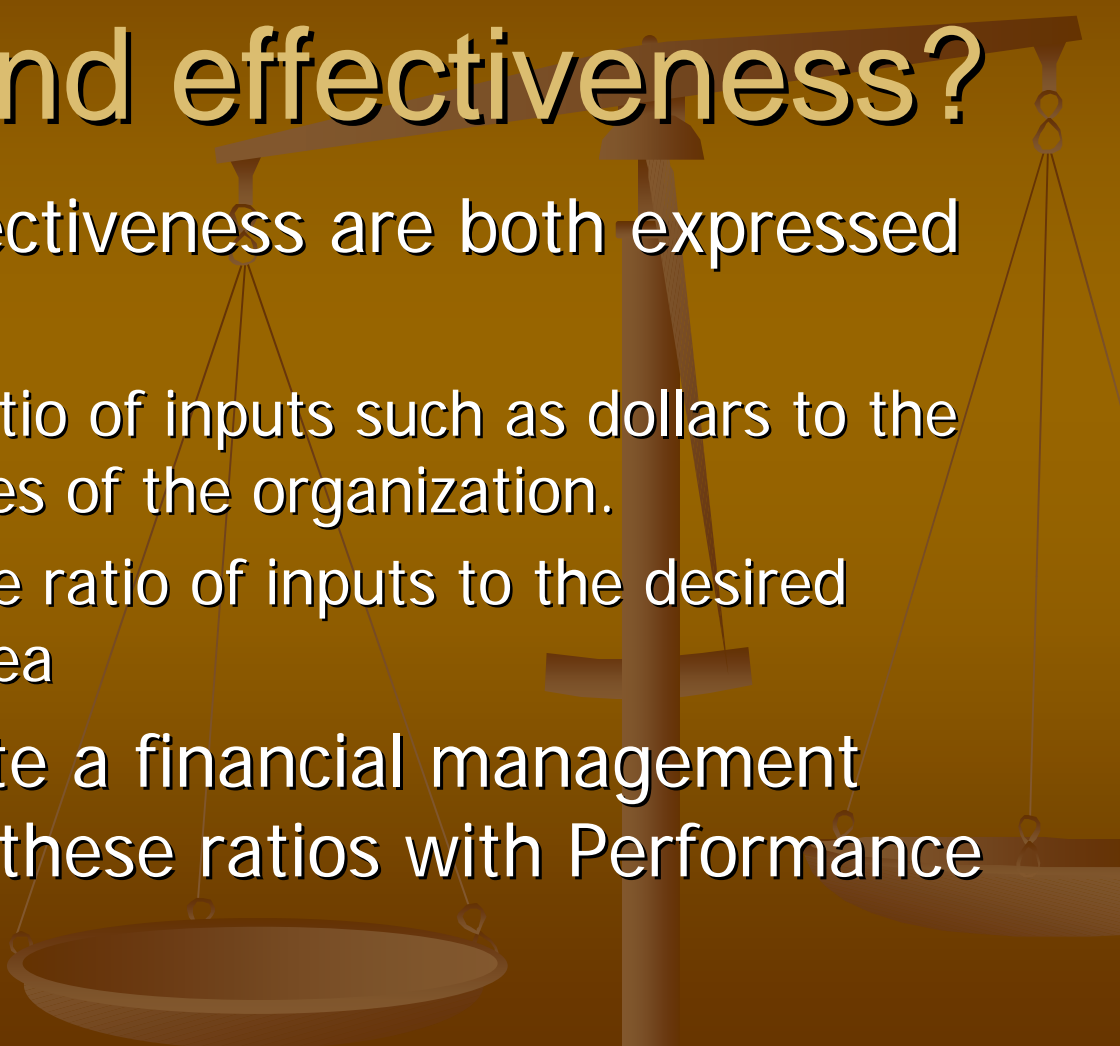
- You know what products and services you are getting for your money.
- You know what impact your money is making on your area.
- This approach helps you macro manage your organization.
- More strategic and less tactical.



How do I budget so that I achieve my levee board goals and objectives?

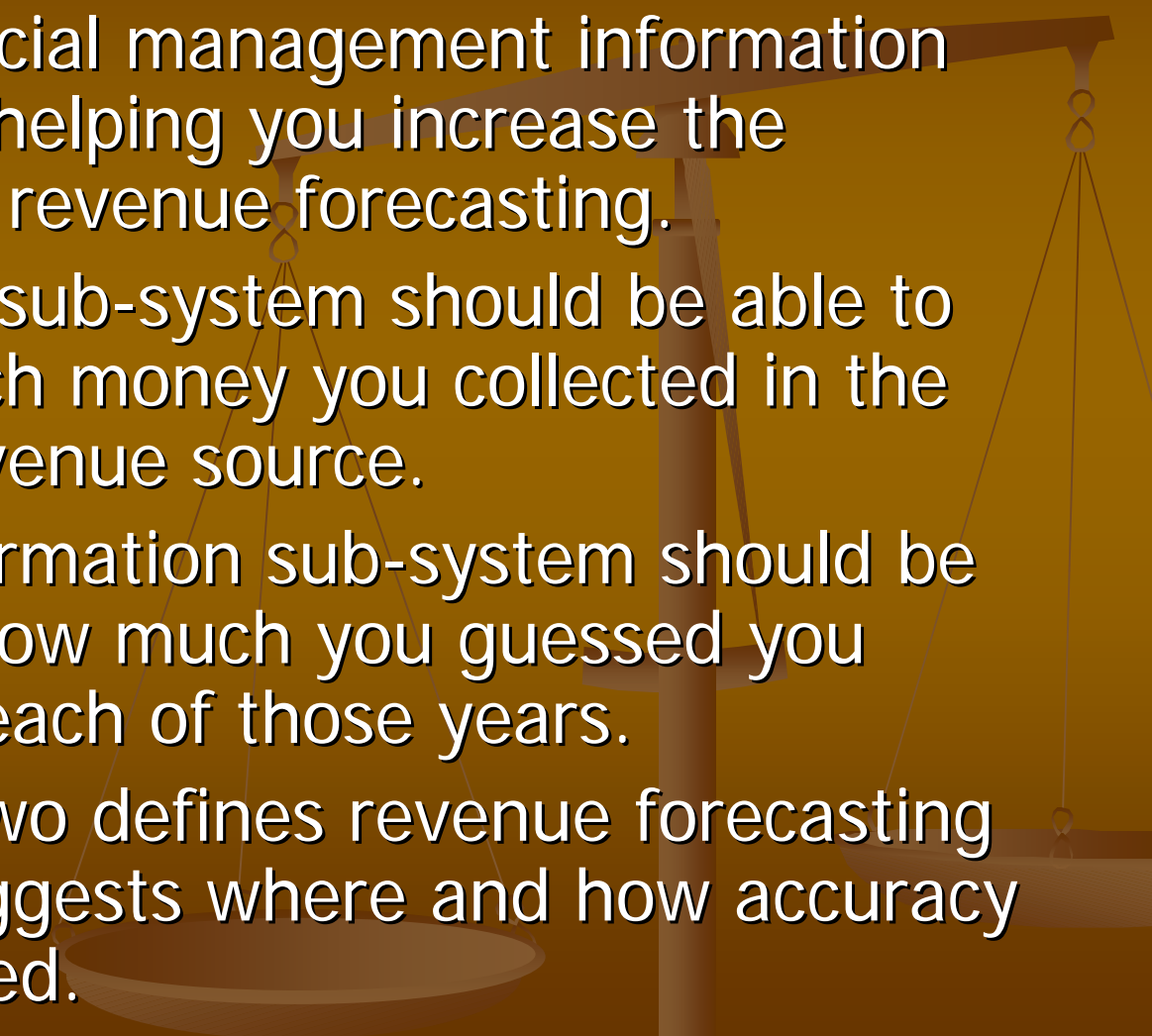
- Levee Board goals and objectives should be framed in terms of desired observable impacts of your actions on your area in a special time frame **and** the products and services of the board in a time frame that will achieve those desired impacts.
 - Performance Budgeting is the only way you can link the budget to goals/objectives.
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How do I budget so that I increase my efficiency and effectiveness?

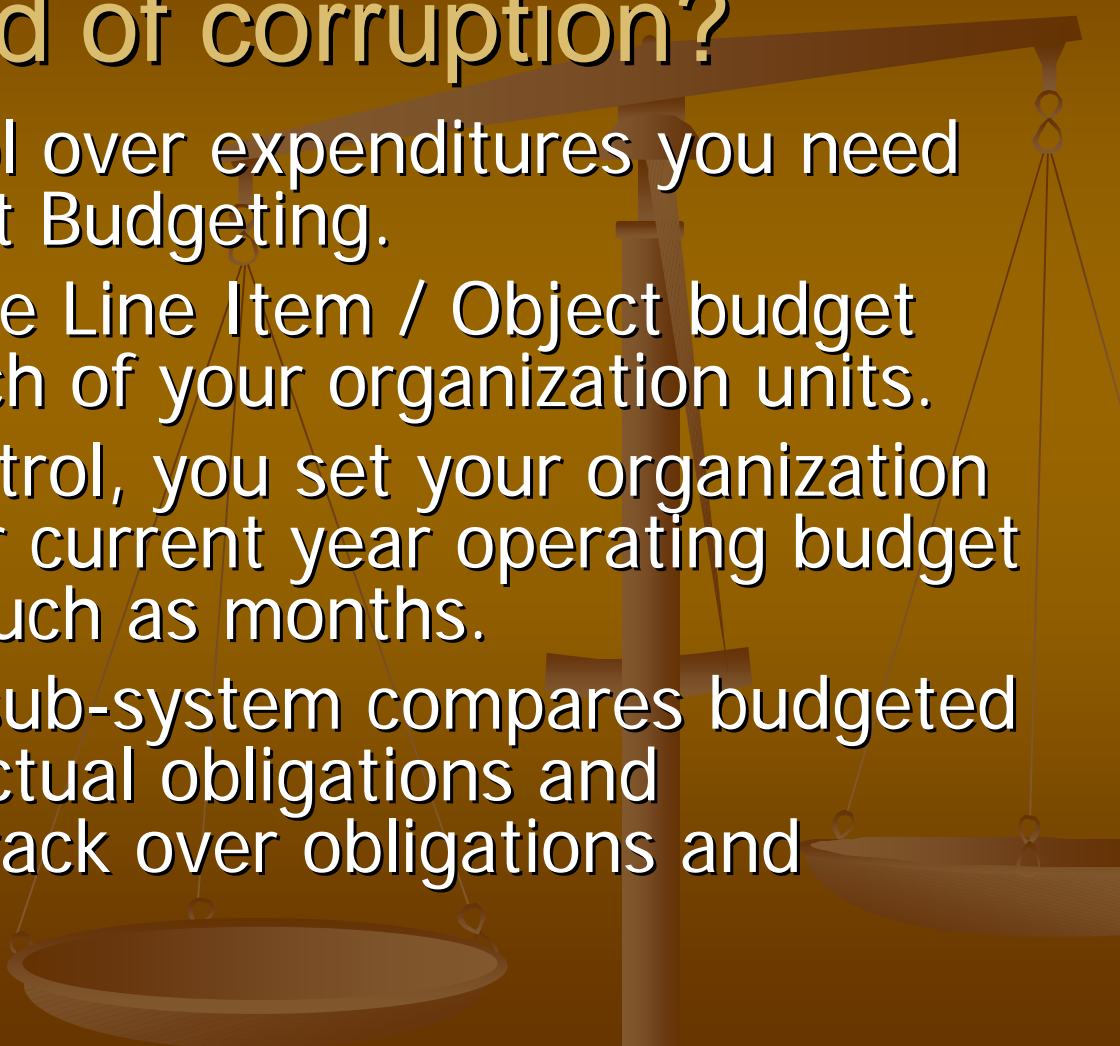


- Efficiency and Effectiveness are both expressed in terms of ratios
 - Efficiency is the ratio of inputs such as dollars to the products or services of the organization.
 - Effectiveness is the ratio of inputs to the desired impacts on you area
- You can only create a financial management system that gives these ratios with Performance Budgeting

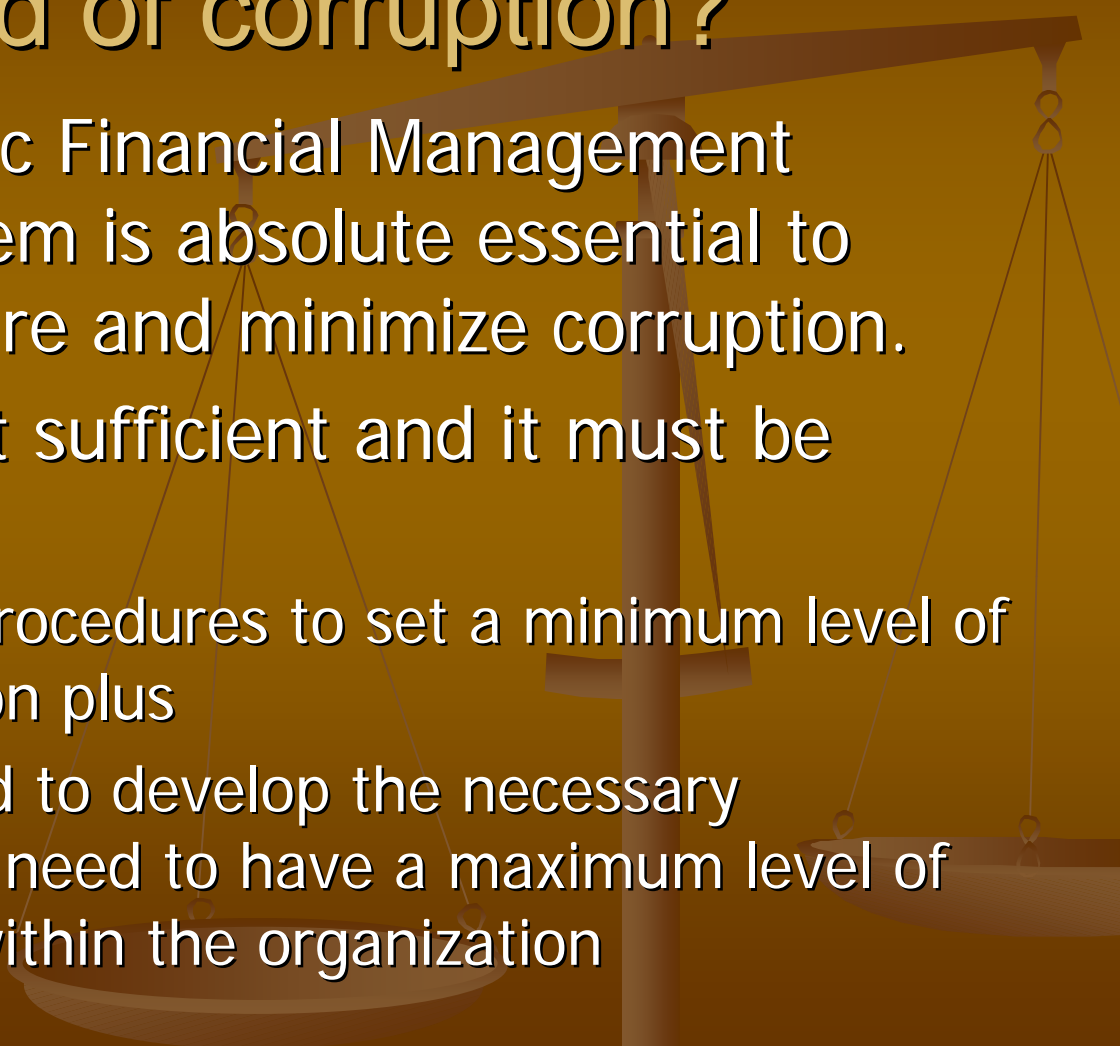
How can I increase the accuracy of my revenue forecasts?

- Your public financial management information system is key in helping you increase the accuracy of your revenue forecasting.
 - Your accounting sub-system should be able to tell you how much money you collected in the past years by revenue source.
 - Your budget information sub-system should be able to tell you how much you guessed you would collect in each of those years.
 - Comparing the two defines revenue forecasting accuracy and suggests where and how accuracy might be improved.
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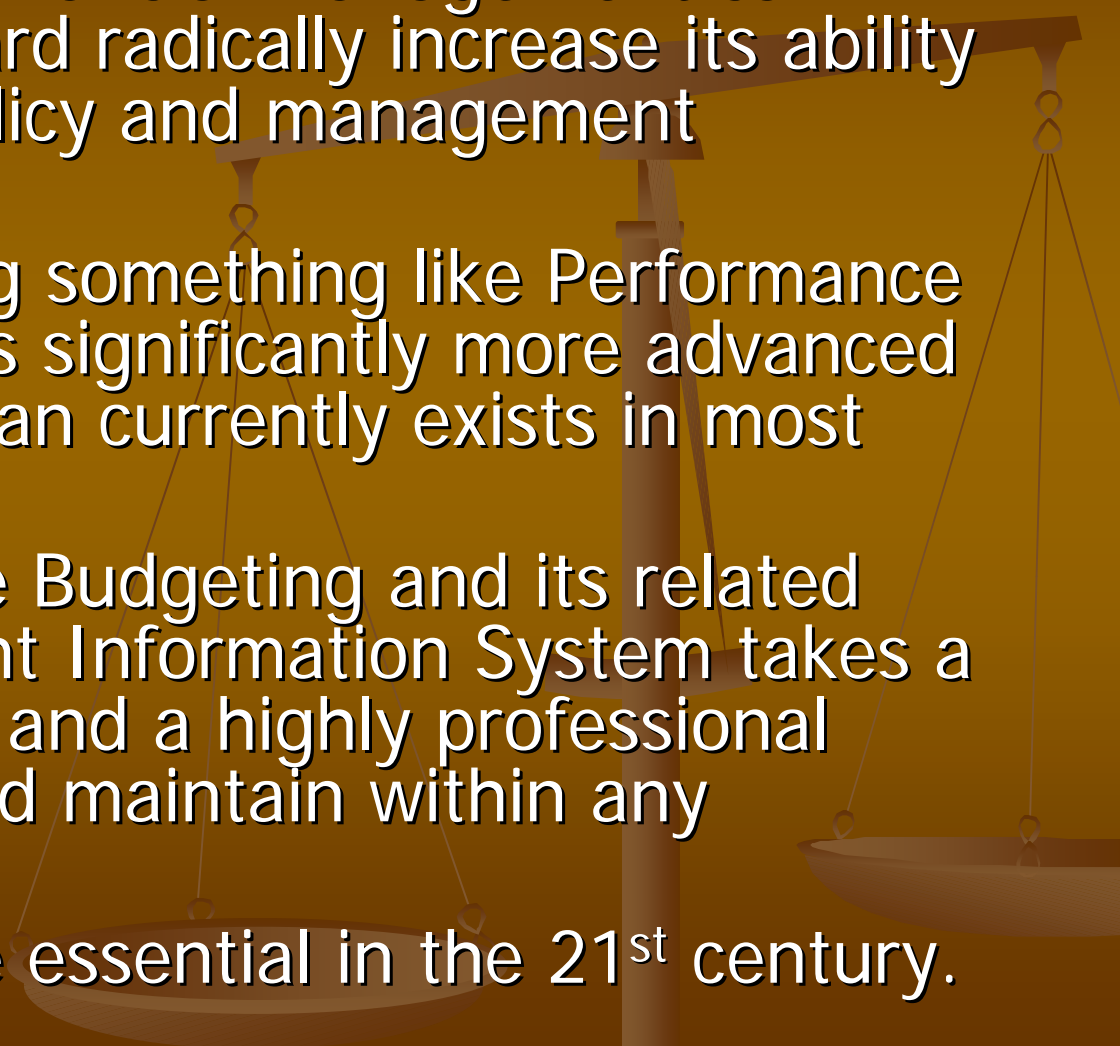
How do I control my Board expenditures and minimize the likelihood of corruption?

- To achieve control over expenditures you need Line Item / Object Budgeting.
 - You need to define Line Item / Object budget allotments for each of your organization units.
 - For increased control, you set your organization allotments in your current year operating budget by units of time such as months.
 - Your accounting sub-system compares budgeted allotments with actual obligations and expenditures to track over obligations and spending.
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How do I control my Board expenditures and minimize the likelihood of corruption?

- An effective Public Financial Management Information System is absolute essential to control expenditure and minimize corruption.
 - However, it is not sufficient and it must be coupled with
 - Clear rules and procedures to set a minimum level of ethical expectation plus
 - Training designed to develop the necessary character virtues need to have a maximum level of ethical practice within the organization
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Summary and Conclusions

- Improved Public Financial Management can assist a Levee Board radically increase its ability to make better policy and management decisions.
 - However, installing something like Performance Budgeting requires significantly more advanced professionalism than currently exists in most organizations.
 - Good Performance Budgeting and its related Public Management Information System takes a great deal of time and a highly professional effort to create and maintain within any organization.
 - However, they are essential in the 21st century.
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Thank You

For Your
Attention