

Rudolph F. Crew, Ed.D., Superintendent of Schools

**SUBJECT: THE STRATEGIC CHOICES APPROACH: OPERATING BUDGET
PROCESS FOR FISCAL YEARS 2006 AND 2007**

COMMITTEE: INNOVATION, EFFICIENCY & GOVERNMENTAL RELATIONS

BACKGROUND

Since August, the Board and the Superintendent have established clear goals and priorities, as well as introduced initiatives to assist in fulfilling the District's vision to serve all children and align and redirect resources to ensure maximum operational effectiveness. In an effort to improve business practices and reduce the potential impact of various external pressures on the operating budget, the Superintendent has developed a three-phase plan to realign and restructure the District's resources: (1) realignment and reduction of personnel, (2) realignment and reduction of financial resources and (3) reengineering of the current budget process.

In October, the Board approved and authorized phase-one: implementation of realignment, restructuring, reorganization and reduction-in-force of select district positions. This action resulted in savings in the District Budget and better alignment of personnel to meet the District's Strategic Plan (i.e., reorganization of the Office of School Facilities, additional support for the School Improvement Zone and Region Centers, and elimination of designated budgeted open positions).

Pursuant to the financial outlook for the District, as reported to the Board in September and October, it was necessary to dig a bit deeper in hopes of counteracting the negative financial effect of external pressures on the District's current Budget. As a result, a second phase realignment was crafted and deployed which involved a thorough analysis of the budgeted 2004-05 non-salary appropriations for School Support Centers (non-school sites) and examination of aged purchase orders. These exercises are currently in progress. Potential savings to the General Fund resulting from this phase-two exercise will be reflected in the mid-year budget resolution in February.

ALIGNMENT TO THE STRATEGIC PLAN

The third phase of the plan is the reengineering of the current operating budget process. In the past, the budgeting for the School Support Centers (non-school sites) was done on a continuation basis. **The financial outlook for M-DCPS necessitates redirecting resources to ensure alignment with the Board's 2005-2008 M-DCPS Strategic Plan, which will include achievement of operational efficiencies.** In doing so, we will closely analyze all non-school appropriations; therefore, M-DCPS will replace the

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continuation approach to budgeting for School Support Centers with a Strategic Choices Approach to budgeting for the 2006 FY and all subsequent budget planning processes.

The Strategic Plan, and priorities identified in that process, becomes the foundation for all future budgeting activity. The priorities for 2005-2008 will be set in the strategic planning process that will be "kicked off" on January 13, 2005. Once developed and approved, these priorities will drive activity planning and funding for the next three years. In our current fiscal environment, where trade-offs are a prerequisite for responsible financial planning, all resource allocation decisions will be made by assessing the requests for funding against these priorities.

The Strategic Choices Approach will help to ensure that all resources are directed to achieve strategic priorities. The Strategic Choices Approach is a hybrid of Zero-Based Budgeting (ZBB) and adapts traditional ZBB techniques to the special needs and legal requirements of public school finance. The Strategic Choices Approach will be centered on the alignment of strategic and financial objectives, and will include review and justification of all expenditures, both increases and decreases. This new approach to budgeting will allow us to plan and gather the appropriate data necessary, to make decisions regarding the most appropriate level of funding and maximum level of output/services to deliver a quality education to every student in Miami-Dade County's public schools.

DESCRIPTION OF BUDGET PROCESS

To ensure that we meet the immediate needs of the Board and the objectives of realigning resources, the Office of Budget Management has developed a two-step plan for implementing the new Strategic Choices Approach to budgeting for the School Support Centers (non-school sites). In Step one, the baseline is developed. At this point, the system and processes related to this hybrid approach to ZBB are defined and utilized at a very basic level. In Step two, the budget planning and development process will be refined extensively and enhanced by the use of advanced technology.

Step 1: 2006 FY

The budget development process for 2005-06 will focus primarily on decision packages for each department. This decision package will require alignment with the new Board adopted 2005-2008 M-DCPS Strategic Plan, as well as justification of all General Fund, non-school appropriations based on the following criteria:

1. Required for Compliance with State/Federal Law
2. Required for Compliance with Contract or Board Rule
3. Recommended as a Sound Business/Organizational Practice

This new process ensures: financial alignment with short term and long term district-wide goals and objectives; justification of salary and non salary appropriations, both increases and decreases; justification of the function(s) of

each department/work center location; and a sound foundation for focusing discretionary activities and appropriations during subsequent years to support future strategic plans and priorities.

To assist with this process, Information Technology Services (ITS) will develop a user-friendly, transparent, internal web-based system for School Support Centers to capture their 2005-06 Budget Requests and specifications related to the Strategic Approach. This web-based system will be an internal tool available via the Intranet. It will provide:

- An easy-to-use tool for data collection and analysis and a data warehouse for future analyses (e.g., historical data, customized reports, key indicators)
- A mechanism for adding and justifying existing positions and non salary appropriations
- An automated system to calculate salary information for justified positions
- Summaries of key financial information by work location
- The ability to transfer information collected via the web application to the existing financial system

Step 2: 2007 FY

Now that a new system is in place for budget development that is not based on continuation budgeting but on strategic plans and proper resource alignment, it is anticipated that by year two, the role of technology in the budgeting process will be even more significant. As M-DCPS embarks on a 5-year technology plan, it is projected that financial systems will be upgraded making the budgeting process more efficient and transparent in future years. The infusion of advanced technology in the budget development process shall result in a more in-depth analysis of all district finances.

Staff has been directed to develop the necessary forms, manuals and timeline to implement the Strategic Choices Approach to the operating budget for 2005-06. The web-based tool, departmental planning and analyses will commence in February 2005. These deliberations will provide the Superintendent, Cabinet Members and Staff with a better basis for development of the Recommended Tentative Budget for 2005-06 which will be sent to the Board in early June.

RECOMMENDED: That The School Board of Miami-Dade County, Florida, approve the implementation of the Strategic Choices Approach for the Operating Budget Process for the 2006 and 2007 FY Budgets.