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Common Council
Administration and Finance Committee
West Allis, WI

Dear Council Members:

The purpose of this report is to inform the Committee of the transition that is underway in the Finance Department and outline the Department's plans for navigating this transition, including identifying changes made and additional innovations planned, to ensure the Department can continue to meet its responsibilities, both in the short term and long term.

Staffing Summary

The Finance Department consists of one Management position (the Finance Director/Comptroller/City Treasurer) and one Supervisory position (Finance Supervisor) that oversee 10 staff members responsible for a variety of critical, on-going functions.

Two positions are currently vacant: the Finance Director/Comptroller/City Treasurer position and one Accounting Specialist. Two more positions will become vacant in July and August and have been authorized for replacement as a Buyer/Senior Buyer and Accounting Specialist. The departmental positions are broken down as follows:

- Fiscal Services: 6 staff (4 filled, 1 currently vacant, 1 position to turn over in August) responsible for:
 - payroll, including related federal and state payroll compliance and reporting;
 - accounts payable & invoice payment;
 - accounts receivable billing for property maintenance, accident damages, developer agreements, retiree health insurance, etc;
 - cash collection & payment processing;
 - property tax billing and collection;
 - utility bill collection/payment processing;
 - grant reporting & reimbursement monitoring (6 major grant programs totaling \$8 million annually).
- Purchasing: 2 staff (1 filled, 1 position to turn over in July) responsible for purchasing compliance & procurement.
- Accounting & Analysis: 2 staff, plus the Finance Supervisor and Finance Director responsible for:
 - accounting, required financial reporting, analysis, and cash management of:
 - the \$57 million General Fund, consisting of 19 city departments;
 - 5 Utilities (Water, Sewer, Storm, Solid Waste, Parking, totaling \$20 million annually);
 - 8 Grant & Special Revenue Funds totaling \$10 million annually;
 - 14 Tax Increment Finance Districts (with a 15th proposed in 2016);
 - the Capital Improvement Program and related funding sources (over 60 capital projects annually);

- the City's Debt Service Fund (\$80 million of outstanding debt);
 - the City's \$16 million self-funded Health Insurance program;
 - the CDA-managed Beloit Road Senior Apartments LLC;
 - the CDA-managed New Markets Tax Credit entity, First-Ring Industrial Redevelopment Enterprise (FIRE).
- Annual Financial Audit and federal "Single Audit" of grant programs.
 - Preparation of CAFR (Comprehensive Annual Financial Report) summarizing the city's financial position and results of operations.
 - Preparation of Annual State Financial Report due to Wisconsin Department of Revenue.
 - Coordination of city's participation in the federal Retiree Drug Subsidy (RDS) program through Medicare.
 - Management and Investment of city cash reserves to maximize security and investment earnings.
 - Preparation and related analysis of annual city-wide budget.

Shifting the Focus of the Finance Department

Historically, the fiscal services functions were the focus of the Finance Department as they are essential to keeping the day-to-day, on-going business of the city running by getting employees paid, getting the city's bills paid, collecting taxes and other revenues. However, as federal and state regulations have become increasingly more restrictive on local government budgets, in addition to creating more reporting and compliance requirements, the city has had to get more creative in order to continue funding the high level of service residents expect. Examples of this creativity over the years include the self-funded health insurance program, the storm water utility, the solid waste utility, growth in the use and complexity of tax increment financing districts, additional grant funding, revolving loan programs, use of Low-Income Housing Tax Credits to create an LLC to finance improvements at Beloit Road Senior Apartments, and participation in the federal New Markets Tax Credit program through a newly-created redevelopment entity (FIRE).

The evolution of these new programs and others has placed additional demands for accounting and analysis on the Finance Department; however, the staffing and structure of the Department has not kept pace with those additional demands. Frankly, additional accounting staff is needed to properly analyze, budget, account for, and plan for the city's financial future. Unfortunately, the ability to add staff in the current environment is not viable so a more realistic response to deal with this issue is to continue the reallocation of resources and shift the focus of the Finance Department. To preserve the City's financial stability, more time must be dedicated to accounting and analysis. In order to do that, resources need to be redirected from the fiscal services functions to the accounting and analysis functions.

To that end, the following process improvements and innovations have already been adopted:

- Automation of tax collection process
 - Contracted with Tri City Bank for a lockbox service to handle processing of property tax payments, implemented in December 2014.
 - Significantly reduces staff time required to collect taxes which allows existing staff to assist with other duties such as grant reimbursements and billings.
- Automation of utility bill payment processing in fall 2015
 - Contracted with Tri City Bank to handle processing of utility bill payments.
 - Significantly reduces staff time required to process monthly payments from customers which allows existing staff to assist with other duties such as grant reimbursements and billings.
- Electronic payment of vendors via EFT
 - Fewer checks issued reduces staff time required to process and mail check payments.

- Implementation of Novatime timekeeping software in 13 city departments reduces staff time required for payroll processing.
- Most importantly, **as fiscal services staff positions turn over, accounting staff will be hired to replace them.**
 - In May, an Account Clerk position that had handled payment processing became vacant and has been authorized for replacement with an Accounting Specialist that will have a minimum two-year accounting degree.
 - A Purchasing Clerk II will retire in August. In June, the position was authorized for replacement with an Accounting Specialist that will have a minimum two-year accounting degree.
 - ***The goal is to have more agile staff that can perform core fiscal service functions and manage the technology that has been implemented to more efficiently perform those services, which should allow them to dedicate a portion of their time to basic accounting and financial reporting functions. Additionally, this should free up staff time that existing accountants spend on fiscal service functions as well allowing them to focus on more complex accounting and financial analysis.***

The following process improvements and innovations are planned for implementation during 2016:

- Expanding the City's Procurement Card (P-card) program
 - Every department will have a credit card (p-card) they can use to quickly acquire the supplies needed for their operations.
 - The goal is to reduce the number of checks issued and related staff time needed to issue checks.
- Reducing check runs from weekly to two times per month
 - Instead of issuing checks every Friday, checks will be issued on the 15th and 30th of each month.
 - This change will free up at least 15 hours per month to be redirected to accounting and financial reporting functions.

Additionally, the following process improvements and innovations are also underway, but are expected to take longer to implement, beyond 2016.

- Working with DPW to expand the use of Novatime to reduce Finance staff time necessary to process payroll.
 - Eliminating manual timecards will free up at least 10 hours per week or 40 hours per month of Finance data entry staff time that could be redirected to accounting and financial reporting functions.
- Working with the Police Department to automate the sale of Parking Permits to eliminate stickers and eliminate the need to buy them in person at City Hall.
 - Eliminating parking permit stickers will significantly reduce walk-up traffic at the City Treasurer's counter which will allow staff to spend more time on accounting and reporting tasks.

As you are aware, the Finance Department has been actively evolving over the last several years. The changes that have been made are a credit to the leadership in the Department and a credit to the dedicated staff in the Finance Department. These efforts will continue as the changes are necessary in order for the Department to be able to meet its responsibilities to properly account for, report, and analyze the city's wide variety of programs and activities.

The goal with all of these innovations is to maximize the amount of Finance staff time that can be dedicated to accounting and analysis because that analysis is essential to the financial stability of the

city. Every change has consequences, some of which may extend to other city departments and their staff. I hope to earn their cooperation throughout the process of implementing these changes. In fact, cooperation across city departments is a necessity for them to be successful.

Specifically, the innovations planned for 2016 will change the way departments pay their bills. While the method will be different, there are advantages to departments as they will be able to make purchases more quickly using a credit card (p-card), and will spend less time entering purchase requisitions and check requests. There are also advantages to the Finance Department which can spend less time processing invoices for payment because payment will have already been made via the credit card. Departments will be required to submit supporting documentation for their p-card purchases, but this is similar to the supporting documentation they are already accustomed to sending for check payments. Departments will also need to adjust to the new bi-monthly check process where checks will be issued on the 15th and the 30th of each month rather than on every Friday, but they may find they spend less time on check requests as a result of this new schedule. In the end, the process will be different, but once implemented, all departments should see some benefit. Additionally, the cooperation from city departments to implement these changes will have helped the Finance Department, and ultimately the city as a whole to dedicate more time towards ensuring the city's financial stability.

More information, including a specific timetable regarding the rollout of the P-card and check run changes, will be communicated to departments in the coming weeks.

Even with these innovations, current staffing does not allow much time for analysis and planning. The Department can "respond and react" but the goal is to "analyze and plan". The Finance Department will continue to take every opportunity to work towards that goal and appreciates the Committee's support in those efforts.

I will be happy to answer any questions or provide further information.

Sincerely,

Kris Moen

Interim Finance Director/Comptroller/City Treasurer