

City of Petersburg Emergency Financial & Operational Restructuring

Presentation to Petersburg City Council

The Robert Bobb Group, LLC

February 21, 2017

Agenda

- **RBG Progress Report**

1. Financial Crisis Continues
2. Request for Special Finance Workshop
3. Using OpenGov For Financial Transparency
4. FY18 Budget Calendar Update
5. Executive Search Firm Update
6. Forensic Audit Update
7. New Policy for Real Estate Transactions & Vehicle Update
8. Plan for Next Council Meeting on March 7, 2017

- **Transparency**

1. FY13 – FY15 CAFR Analysis

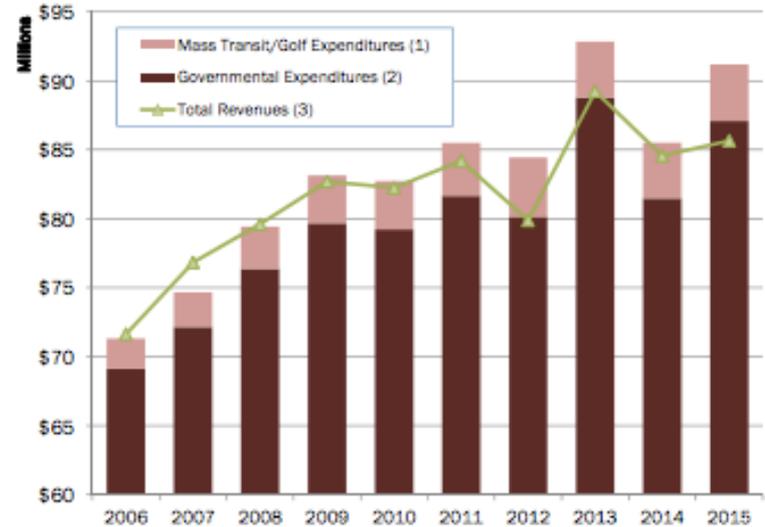
Background & Reminder

Governmental, Mass Transit and Golf Funds

Fiscal Year	Expenditures Mass Transit/Golf (1)	Expenditures Governmental (2)	Total Revenues (3)	Surplus (Deficit)
2006	2,207,103	69,117,310	71,635,381	310,968
2007	2,500,457	72,158,936	76,829,525	2,170,132
2008	3,049,122	76,375,348	79,596,926	172,456
2009	3,460,204	79,668,879	82,692,841	(436,239)
2010	3,505,975	79,214,494	82,239,230	(481,239)
2011	3,834,946	81,657,871	84,186,793	(1,306,024)
2012	4,299,727	80,140,067	79,878,828	(4,560,966)
2013	4,032,005	88,798,157	89,238,273	(3,591,889)
2014	4,025,575	81,483,802	84,553,700	(955,677)
2015	4,107,319	87,076,939	85,653,891	(5,530,364)

The City began its deficit in 2009 and continued it to the current fiscal year

Revenues vs Expenditures (Governmental, Mass Transit/Golf Funds)



(1) Net of Depreciation
 (2) Excludes Capital Projects Fund
 (3) Includes Net Other Financing Sources (Uses) for the General and Non-Major Governmental Funds and Net Non-Operating Revenue for the Mass Transit and Golf Funds.

Source: City CAFRs

Complete

In Progress

5 Month Plan

#1 Priority for Phase 1 was securing the RAN to address the short term fiscal crisis. Phases 2 & 3 will focus on long term financial stability.

Financial Emergency Turnaround – Key Activities

Phase 1: 10/25/16 – 12/2/16

Phase 2: 12/5/16 – 1/27/16

Phase 3: 1/30/16 – 3/31/16

Strategic Theme 1: Short Term Financing

Strategic Theme 2: Long Term Financing and Fiscal Plan

Strategic Theme 3: Technology, Data and Process Platform

1. Finalize list of Outstanding Invoices from FY16 and Prior.
2. Secure Revenue Anticipation Note (RAN).
3. Pay current FY17 obligations with RAN.
4. Develop a long-term financing strategy to deal with the deficit.
5. Validate the FY17 budget, audit cell phone bills and utility bills.
6. Conduct benefits eligibility audit.
7. Conduct document reviews to build on previous work: Report by VA Secretary of Finance, Aug 3, 2016, PFM Report.
8. Identify Capital Funds that can be deferred.
9. Develop Internal/External Communications Plan.
10. Prioritize workforce compensation issues and review salary survey.
11. Appropriate, by Council action, Amended FY 17 budget.

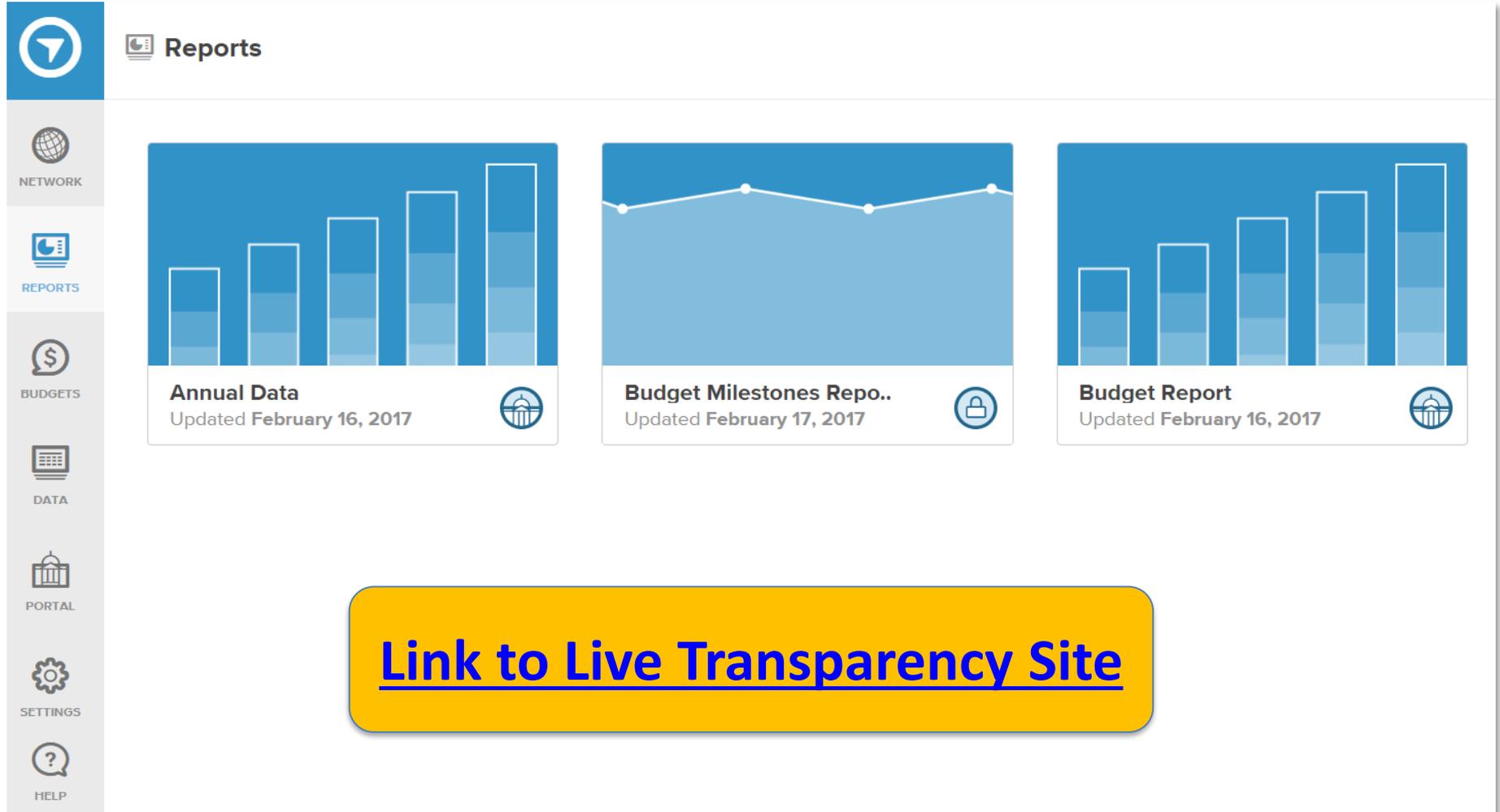
1. Determine the revenue cycle and what billing cycles should change to help cash flows, including state-shared revenues.
2. Provide a budget to actual assessment of FY 17 to Council.
3. Determine critical positions to hire.
4. Issue RFP for the City's CAFR/Auditing responsibilities.
5. Review the city's economic development plan and individual agency plans.
6. Conduct organizational assessment, and identify resource gaps.
7. Conduct business process reviews for financial operations, create standard operating procedures & policies.
8. Start recruiting critical hires.
9. Conduct technology assessment and define a robust and scalable platform.
10. Map process flows for Accounts Payable.
11. Publish a 2018 Budget Calendar that includes CIP.

1. Provide recommendations for upgraded systems/procedures to track cash.
2. Implement long-term financing strategy to deal with the deficit.
3. Make recommendations for process improvement, roles & responsibilities.
4. Establish a long term financial operating platform based on Phase 2's technology assessment.
5. Fill key positions and make recommendations for key positions (HR Director has been hired).
6. Identify additional cost savings and lines of revenue.
7. Implement technologies that enhance financial transparency.
8. Recommend a draft FY18 capital and operating budget.
9. Conduct mid year FY17 budget review
10. Hand off knowledge repository to city & submit our Exit Plan.

Request for Special Work Session on 3/7

Similar to our FY17 2nd Amendment Workshop, we will detail City Cash Flows, Vendor Payments and Budget to Actuals.

Using OpenGov for Financial Transparency



The screenshot shows the OpenGov interface with a sidebar on the left containing navigation icons for NETWORK, REPORTS, BUDGETS, DATA, PORTAL, SETTINGS, and HELP. The main content area is titled 'Reports' and features three report cards. Each card has a chart and a title with an update date. The first card, 'Annual Data', has a bar chart with five bars of increasing height. The second card, 'Budget Milestones Repo..', has a line chart with five data points. The third card, 'Budget Report', has a bar chart with five bars of increasing height. A large yellow button with a blue border is centered at the bottom of the page.

Annual Data
Updated February 16, 2017

Budget Milestones Repo..
Updated February 17, 2017

Budget Report
Updated February 16, 2017

[Link to Live Transparency Site](#)

City of Petersburg – VRS Contributions

**The City has an outstanding VRS payments balance of \$2.7M
to be paid by December 2017**

Background:

- The City stopped making payments to VRS in September 2016 and October 2016
- We began making payments in November 2016
- Note: Petersburg City Schools Teacher Employer Group also has an outstanding balance of \$1.3M which the schools must pay by December 2017

**Approximately \$300,000 per month are needed for the City pay its
balance by December 2017**

FY 18 BUDGET CALENDAR UPDATE

TOPIC	DATE
Special Work Session on the FY 17 budget	January 10, 2017
Distribute Budget Instructions and Guidance	January 17, 2017
Distribute FY 18 Budget Calendar at Council	January 17, 2017
Staff Training on New Budget Building Module	January 24, 2017
FY 17 Budget 2 nd Amendment Public Hearing Advertised	Jan. 25 and Feb. 1
FY 17 Budget 2 nd Amendment Public Hearing / Appropriation	February 7, 2017
FY 18 Proposed Department Operating Budgets Due	February 10, 2017
Capital Budget and CIP Plan Due to CIP Committee	February 10, 2017

FY 18 BUDGET CALENDAR UPDATE

TOPIC	DATE
FY 17 Budget to Actual Report to Council	February 21, 2017
Departmental Meetings with City Leadership	Feb. 13 – March 3
Preliminary FY 18 Real Estate Figures Available	March 1, 2017
Advertise CIP for Planning Commission	March 8, 2017
Capital Budget and CIP Presented at Planning Commission	March 22, 2017
Council Vision Session	To Be Determined
City Manager Proposed Budget to City Council	March 21, 2017

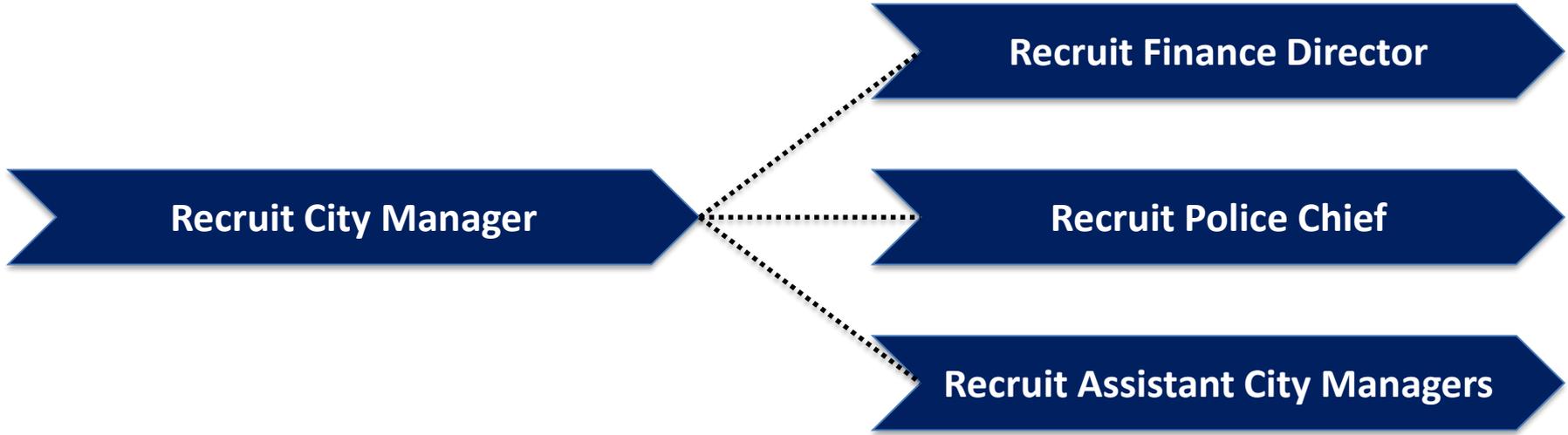
FY 18 BUDGET CALENDAR UPDATE

TOPIC	DATE
Council Work Sessions on FY 18 Budget	March 27 – April 28
General Fund Revenues	March 27
Debt and Budget Policies <ol style="list-style-type: none"> 1. <i>Steps to Increase Credit Rating</i> 2. <i>Capital Budget</i> 	March 29
Police, Fire and Emergency Communications	April 10
Social Services Agencies and Health Dept	April 12
Schools/Personnel Costs: Benefits Overview	April 24
Enterprise Funds <ol style="list-style-type: none"> 1. <i>Utilities</i> 2. <i>Transit</i> 3. <i>Dogwood Trace</i> 	April 26
Set Maximum Tax Rate	TBD
Advertise Public Hearing on FY 18 Budget	April 18 and April 25

FY 18 BUDGET CALENDAR UPDATE

TOPIC	DATE
Public Hearing on FY 18 Budget	May 2, 2017
City Council submits recommended changes to City Manager (must include the support of 3 additional Council members to be considered)	May 12, 2017
City Council to discuss changes to the budget at Regularly Schedule Council Meeting	May 16, 2017
City Council Meeting for Adoption/Appropriation of FY18 Budget	June 6, 2017
FY 18 Landbook Finalized	June 2017
Appropriation of FY 18 Budget	June 20, 2017
Re-Appropriation of FY 17 Grant/Capital Funding	September 5, 2017
FY 18 Landbook Produced/Published	September 2017

Executive Search Firm Hired: Colin Baenziger & Associates



Community Engagement is Critical!
We want to ensure the community is informed and knowledgeable about the candidates recruited to lead the City into the Future.

Note: We are also recruiting for Transit GM, Public Works Director, Fire Chief, Economic & Planning Director

Proposals Received for Forensic Audits

- **6 Proposals Received from local and national firms**
 - **Forensic Audit Focus:**
 - Purchase Cards
 - Commissioner of Revenue Office
 - Office of the Treasurer
 - Special Funds
 - Enterprise Funds
 - Surplus Vehicles
- **3/14 – Interview Firms & Select Firms to Negotiate**
 - **3/31 – Issue Intent to Award**
 - **4/1 – Start All Audits**

New Policy for Real Estate Transactions & Vehicle Update

City Manager Update

City Council Vision Session for FY18 Budget

We recommend holding an FY18 Budget Vision Session for Council. The purpose of this session is to create a space for Council to imagine and dream about the City they want to build.

Vision

We will build the FY18 Budget around this vision.

Plan for Next Council Meeting on 3/7/17

Recommendation: Include a 5:30pm Special Work Session on Financial Reporting: Cash Flows, Vendor Payments (similar to our FY17 2nd Amendment Workshop)

Transparency

- FY13 – FY15 CAFR Analysis

Understanding the Fiscal Crisis

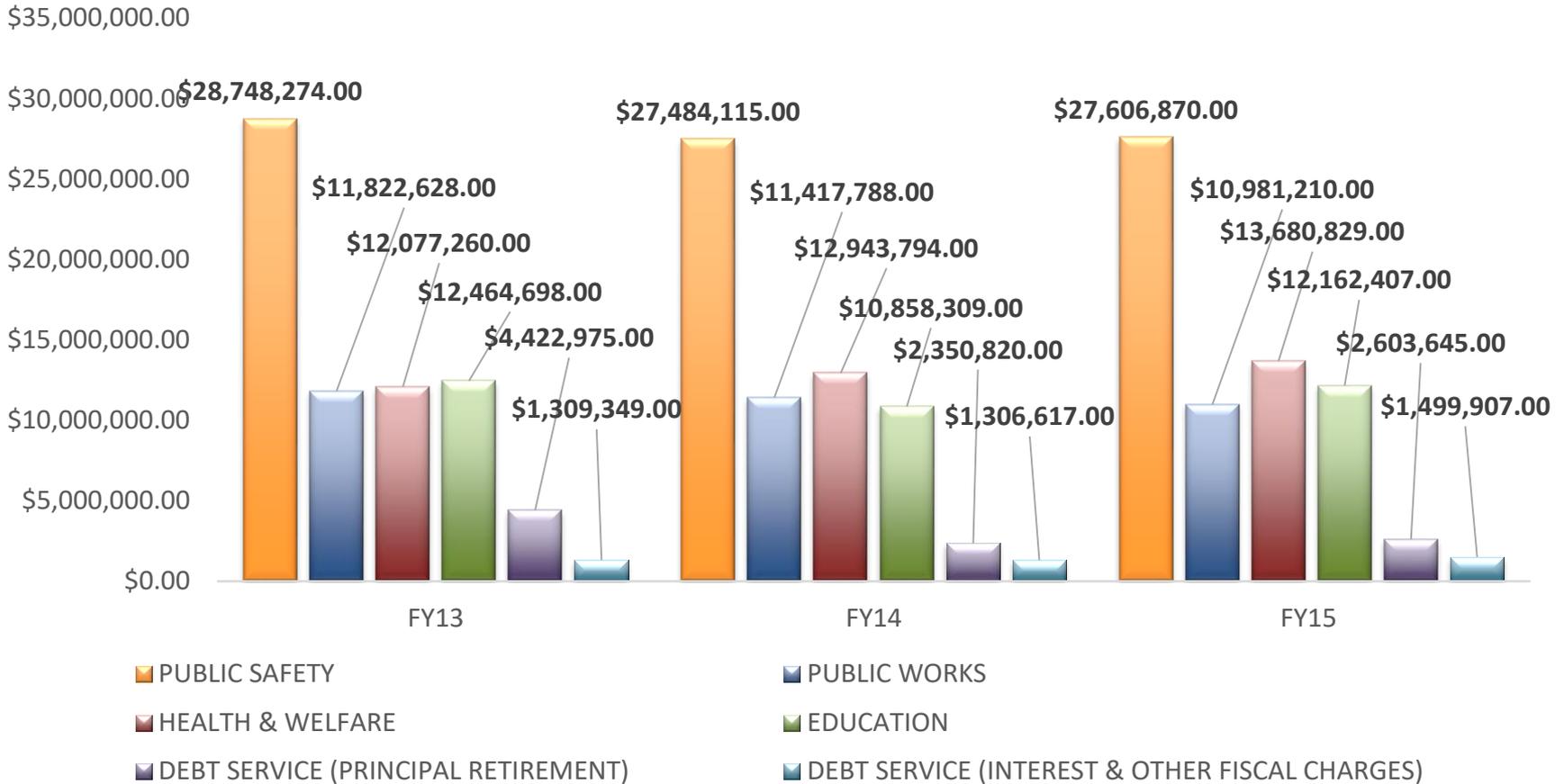
The following graphs are based on FY13 – FY15 CAFR data and illustrate our biggest financial problem:

WE SPEND MORE THAN WE EARN!

The Comprehensive Annual Financial Report (CAFR) for FY16 was not completed by the Finance Department. The City is obligated to complete the CAFR annually by December. RBG recently procured the services of the pre-audit team to complete the FY16 CAFR by April 2017.

While the largest City Expenditures are relatively stable year over year...

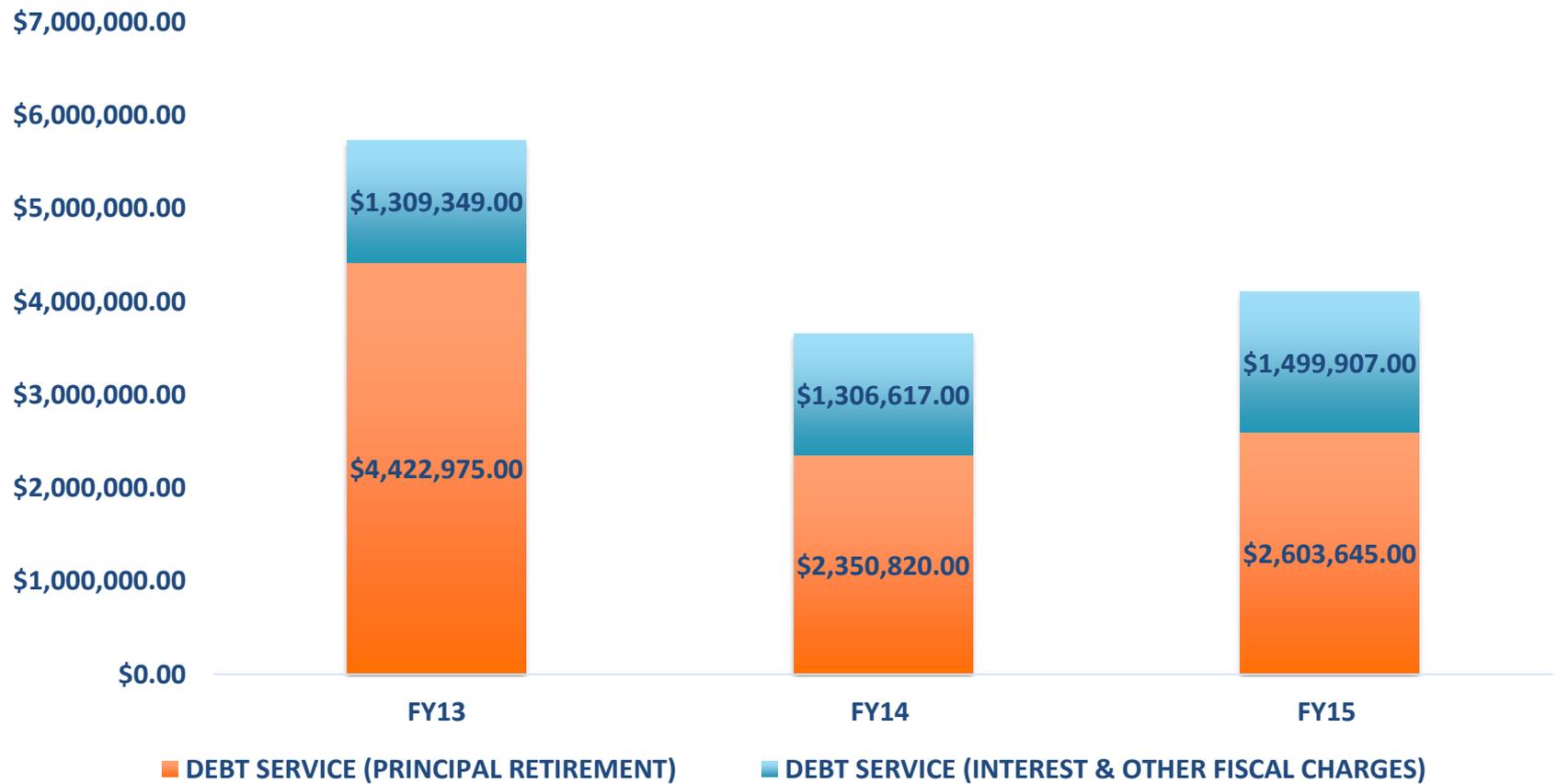
KEY CITY EXPENDITURES FY13 - FY15



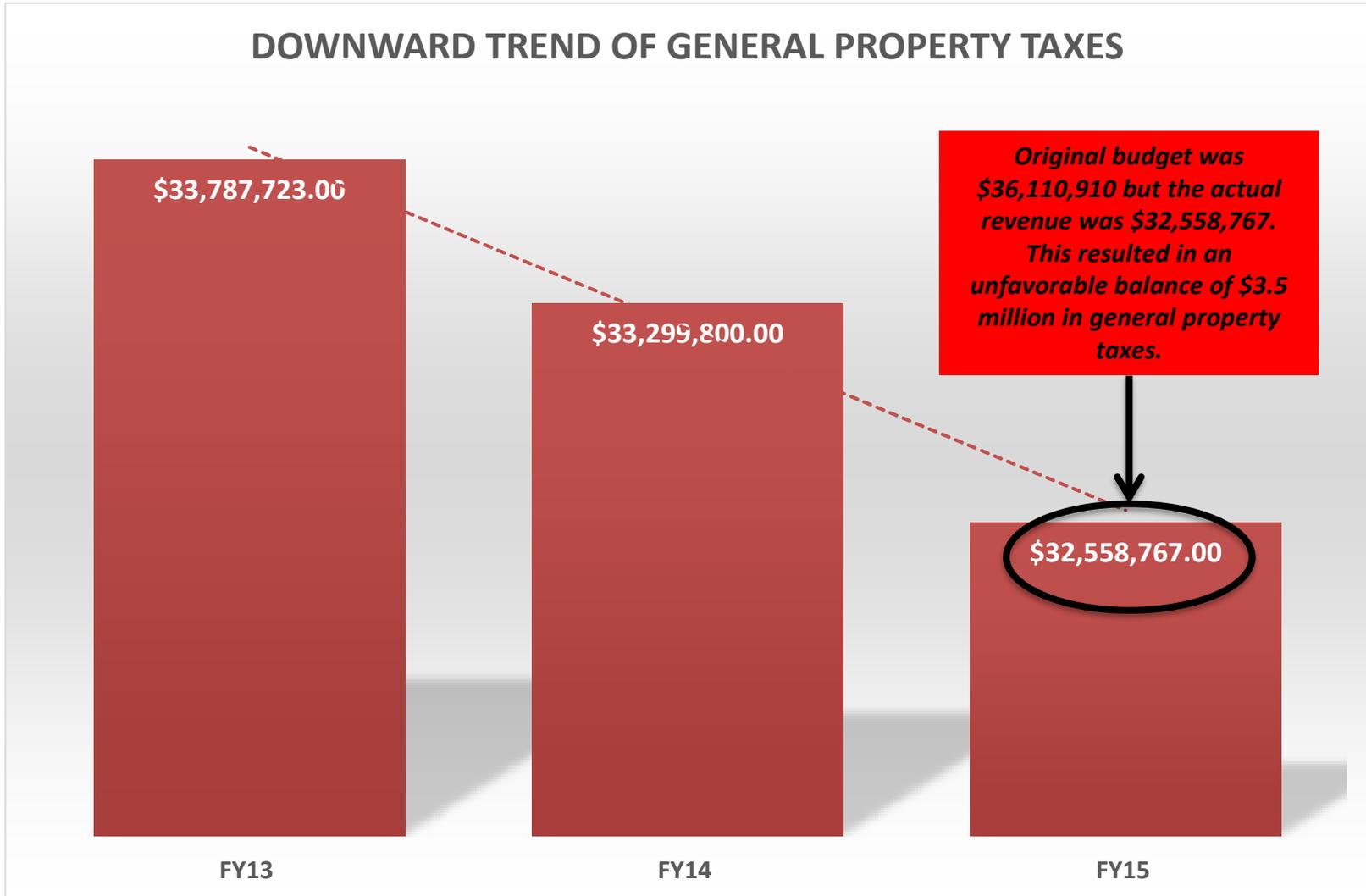
Source: City of Petersburg Comprehensive Annual Financial Reports for FY13, FY14 and FY15

Debt service is relatively low

DEBT SERVICE PAYMENTS

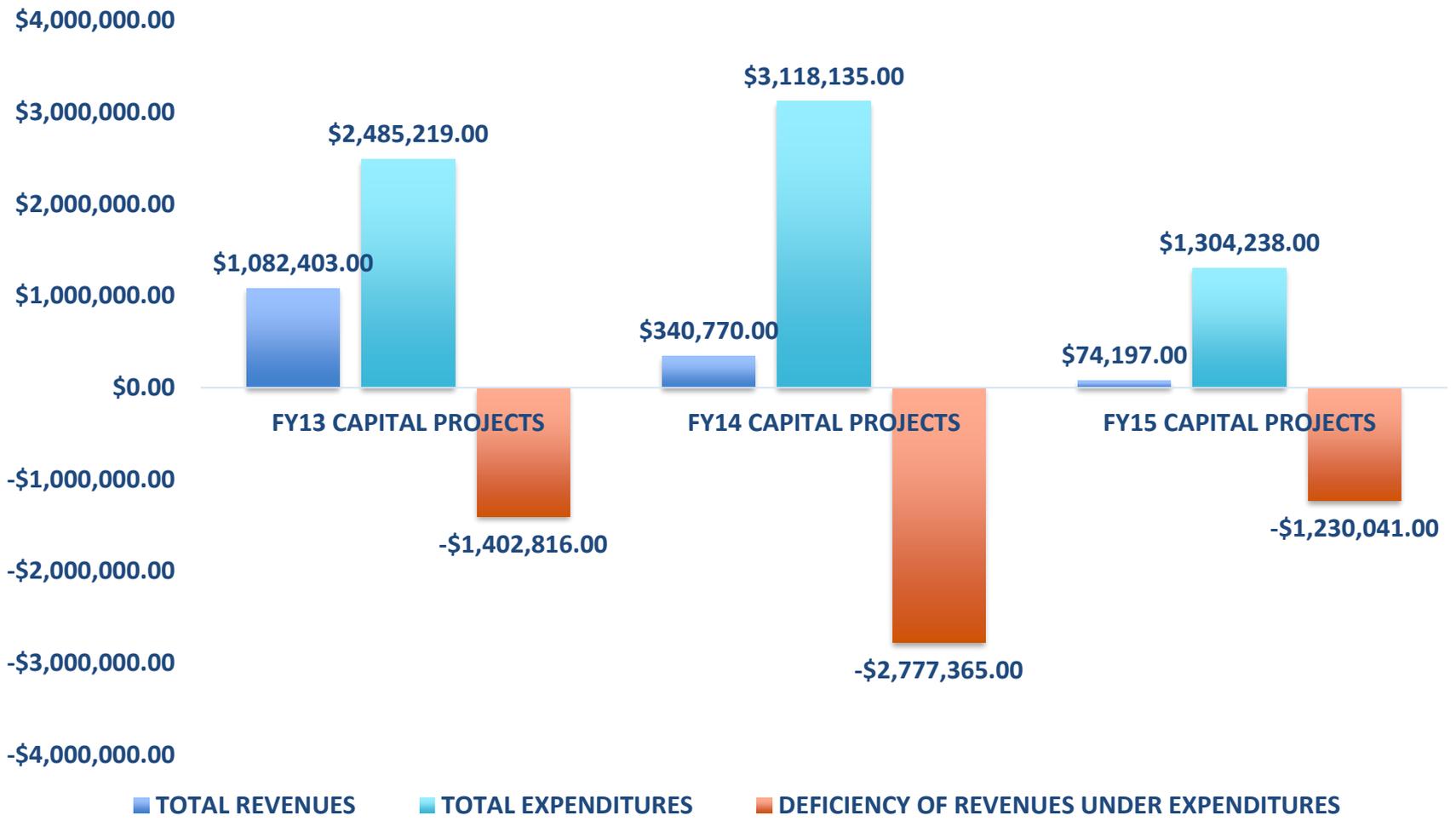


General Property Taxes Continue to Decline...



We Continue to lose State Reimbursements for Capital Projects...

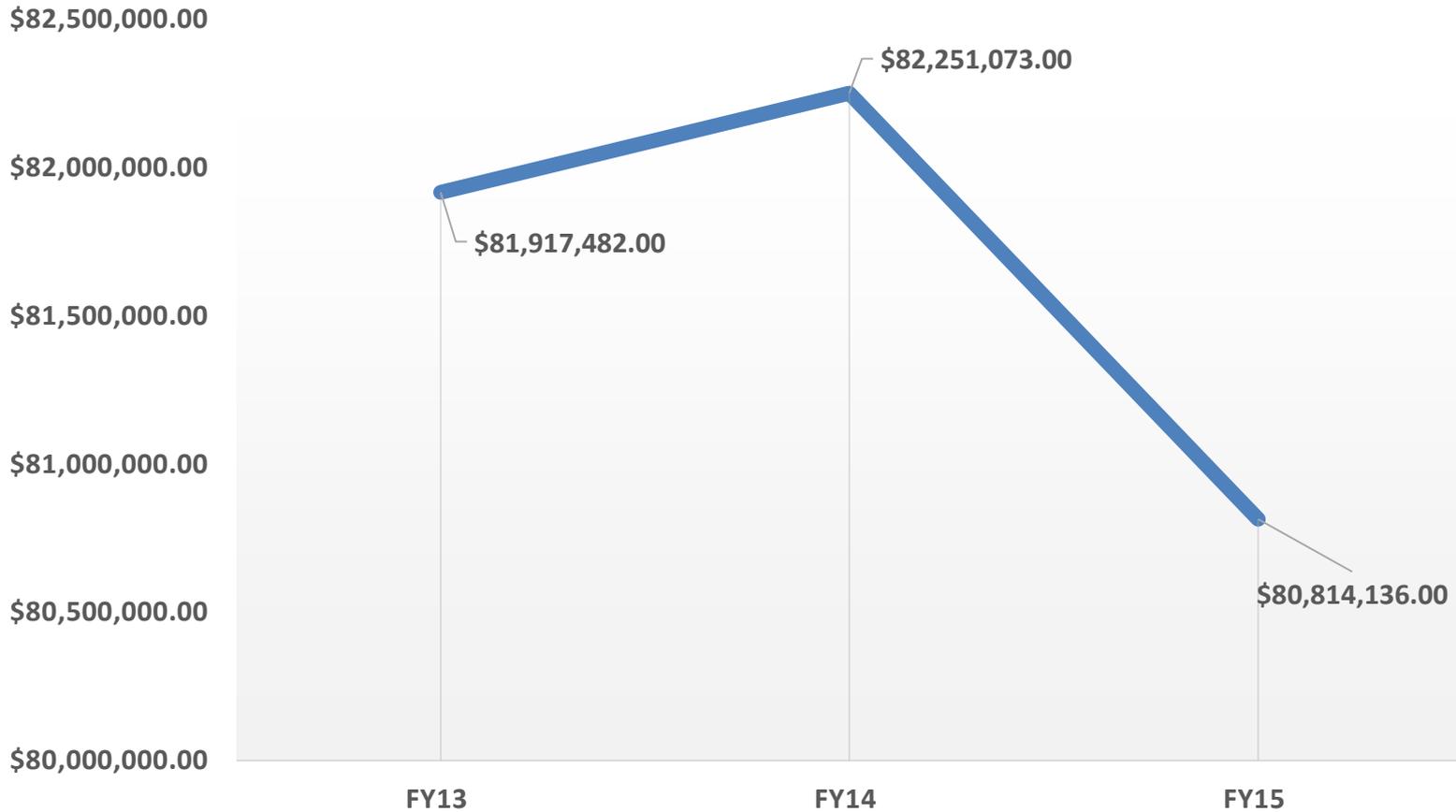
CAPITAL PROJECT FUNDS



Source: City of Petersburg Comprehensive Annual Financial Reports for FY13, FY14 and FY15

Total Revenues Continue to Decline...

TOTAL REVENUES FY13, FY14, FY15



Source: City of Petersburg Comprehensive Annual Financial Reports for FY13, FY14 and FY15

While Total Expenditures Continue to Increase...

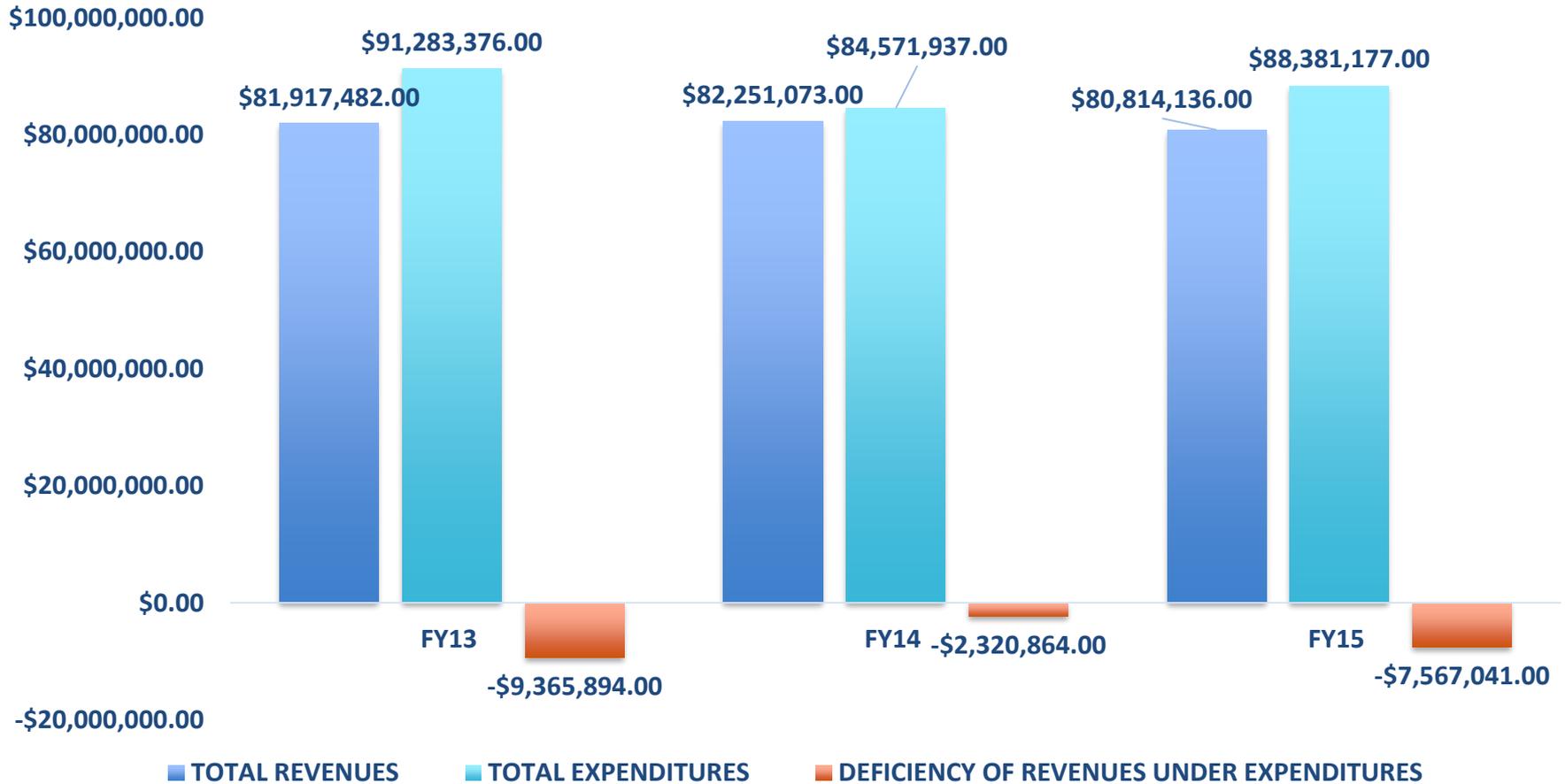
TOTAL EXPENDITURES FY13, FY14, FY15



Source: City of Petersburg Comprehensive Annual Financial Reports for FY13, FY14 and FY15

Expenditures Continue to Exceed Revenues

FY13 - FY15: Total Government Funds



The City has an emergency need for a cash event such as the privatization of the water system utility.

Source: City of Petersburg Comprehensive Annual Financial Reports for FY13, FY14 and FY15