

City of Petersburg Emergency Financial & Operational Restructuring

Presentation to Petersburg City Council

The Robert Bobb Group, LLC

June 6, 2017

Agenda

- **City Manager's Report**

1. Capacity Fees for Water

- **FY18 Budget Overview**

1. FY18 Budget Overview

- **RBG Progress Report**

1. RBG Plan: March 25, 2017 – September 30, 2017
2. Update on City Manager, Finance Director & Police Chief Hiring
3. Forensic Audit Update
4. Technology for Delinquent Vehicle Tax Payers

- **Transparency**

Presentations available on City website: <http://www.petersburgva.gov/index.aspx?NID=846>

City Manager's Report

City Manager's Report

Capacity Fees for Water

What is a Capacity Fee?

Charging a different rate for a different size meter is standard practice across the country and has been the practice in Petersburg for many years.

A higher capacity is billed at a higher rate (the larger your meter the more you pay)

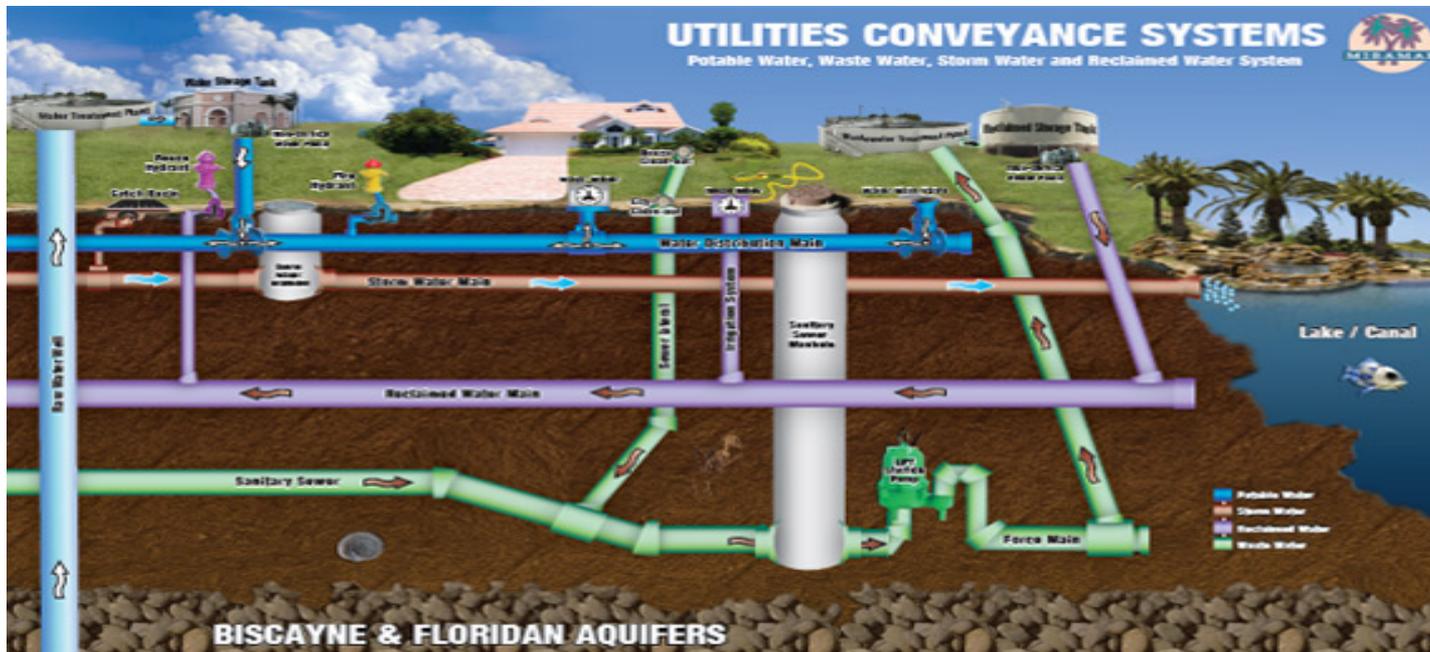
See below from left to right. The truck on the right can haul more dirt than the truck on the left. Hauling more comes at additional cost because you need more fuel capacity, tires are more expensive due to size and more tires needed. You need a larger motor, higher road tax, and more experience operators.



Your Water Bill includes the “Capacity Fee” based on Meter Size and Water Usage

The water bill is determined by adding a “Capacity Fee” that is based upon the size of your meter to the usage fee based upon the amount of water you use.

Capacity Fees pay to treat and transmit water. For Petersburg, it is the cost to pay ARWA and cost of the City to deliver water to customers through its facilities.



Why do we have different size meters on residences?

Larger meters are required to deliver additional flow (more capacity) in instances where:

- The length of the service line from main to meter is over 100'
- Additional flow is needed to supply third floor, showers washing machines, etc.
- House may serve as a multi family dwelling

Note: Meter size and number of meters are requested by the customer working with a licensed plumber. The plumber uses a larger meter to get more water into the residence faster so that all the outlets have adequate water flows available.

The city does not determine meter size.

Water Meter Sizes and Flow Rates

Normal Operation Range based on meter size: (gpm – gallons per minute) This is in compliance with American Water Works Association minimum standards.

5/8" – 20 gpm

¾" – 30 gpm

1" – 50 gpm

1.5 " - 100 gpm

2" – 160 gpm

3 " – 300 gpm

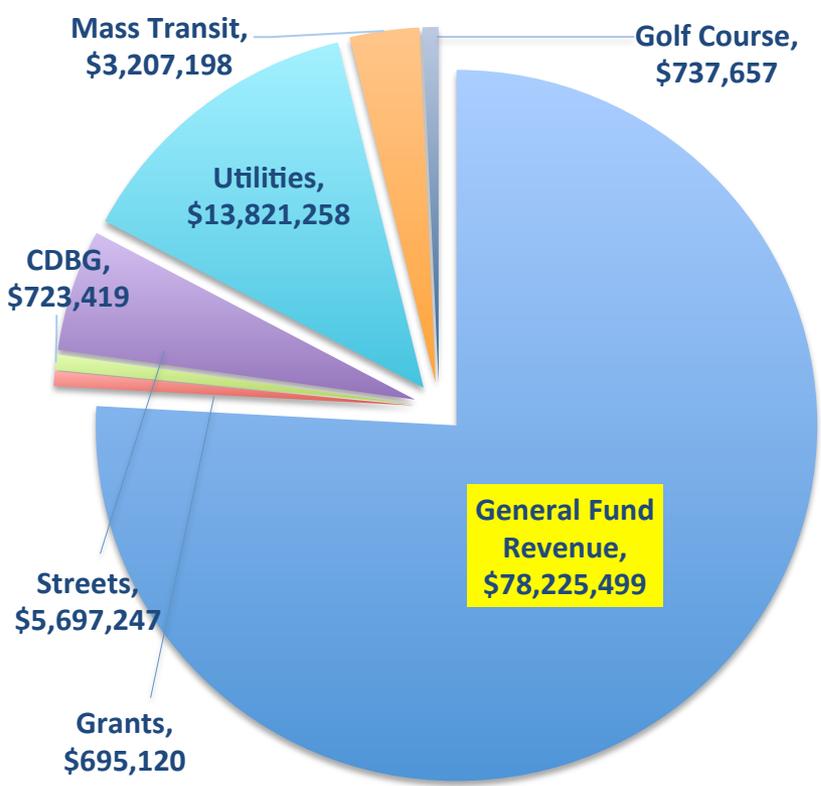
Larger meters are more expensive to purchase and install. This is also true for the water lines and/or pump & tanks needed to supply water to larger meters.

FY18 Budget Overview

FY18 Budget Overview

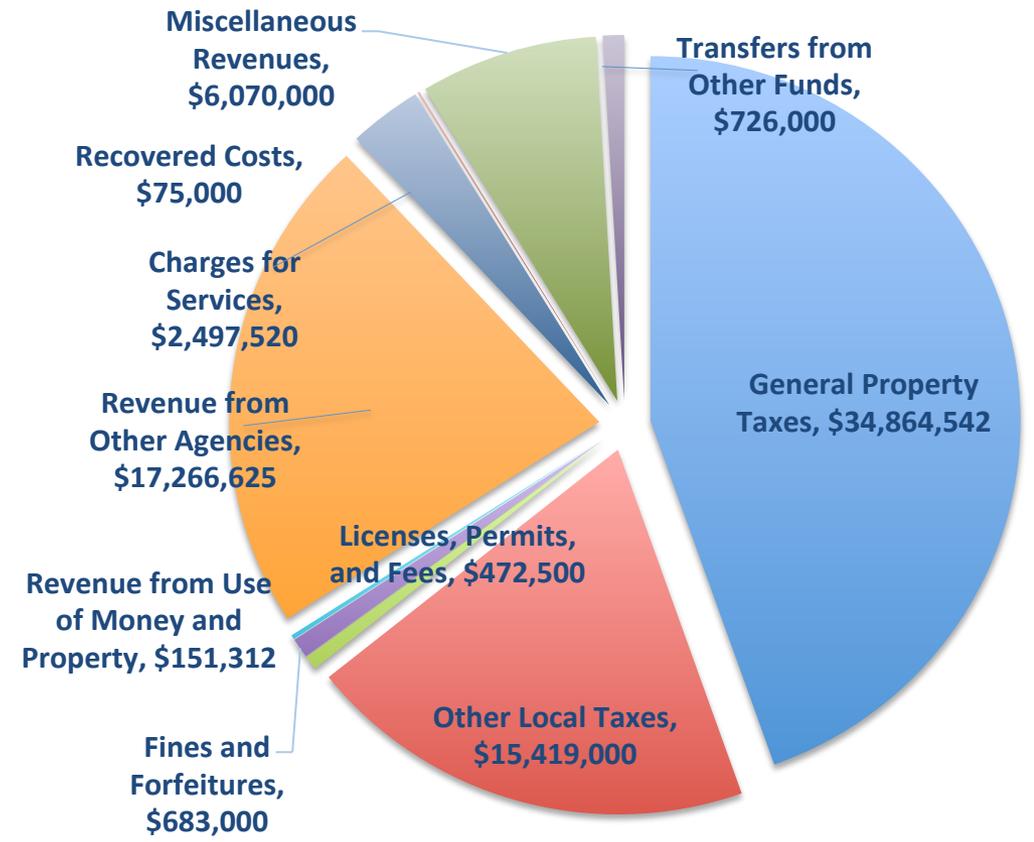
FY18 Budget – Revenues

Total All Funds Revenues = \$103,107,398



- General Fund Revenue
- Special Revenue
- CDBG
- VDOT Urban Allocation
- Utilities
- Mass Transit
- Dogwood Trace Golf Course

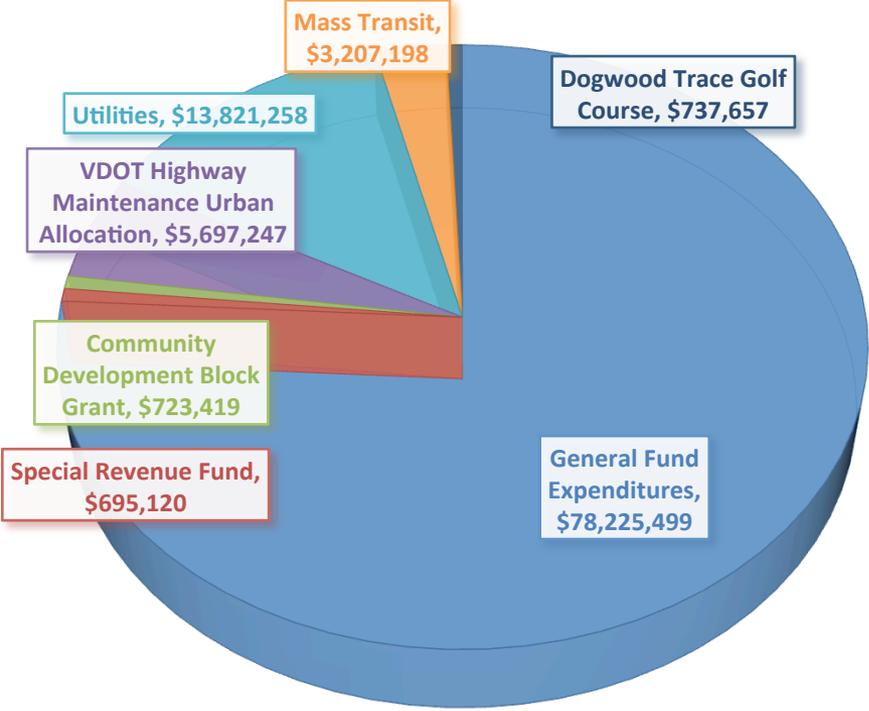
Total General Fund Revenues \$78,225,499



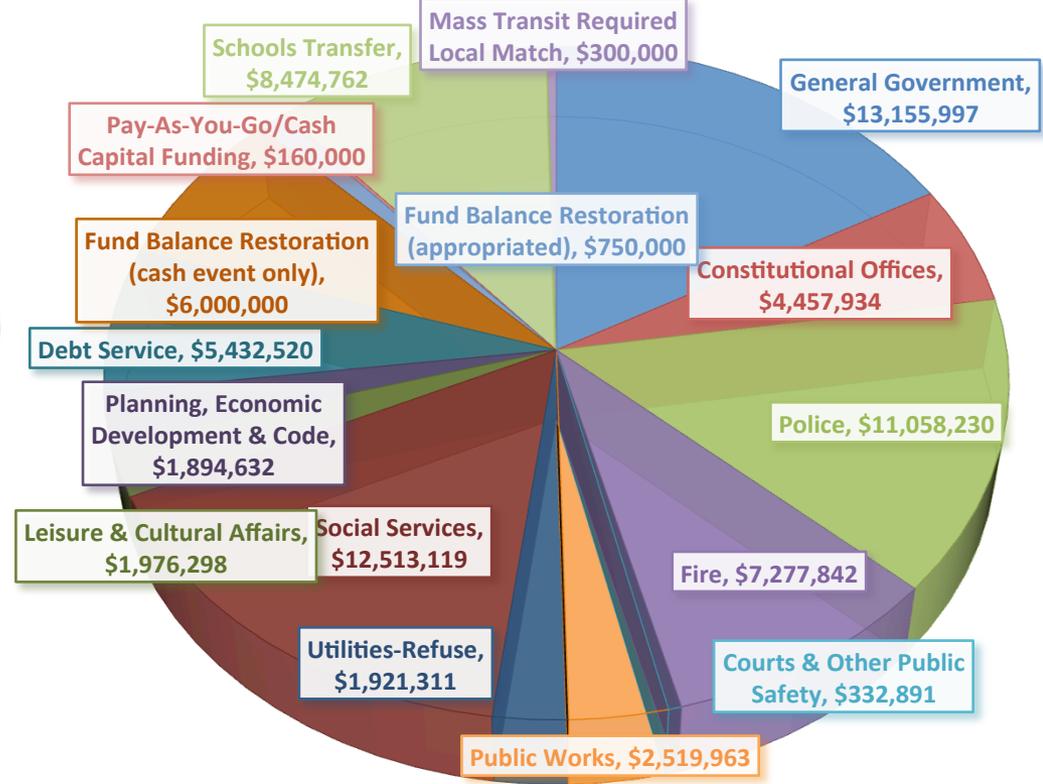
- General Property Taxes
- Other Local Taxes
- Licenses, Permits, and Fees
- Fines and Forfeitures
- Revenue from Use of Money and Property
- Revenue from Other Agencies
- Charges for Services
- Recovered Costs

FY18 Budget – Expenses

TOTAL EXPENSES = \$103,107,398



TOTAL GENERAL FUND EXPENSES = \$78,225,499



- General Fund Expenditures
- Special Revenue Fund
- Community Development Block Grant
- VDOT Highway Maintenance Urban Allocation
- Utilities
- Mass Transit
- Dogwood Trace Golf Course

- General Government
- Constitutional Offices
- Police
- Fire
- Courts & Other Public Safety
- Public Works
- Utilities-Refuse
- Social Services
- Leisure & Cultural Affairs
- Planning, Economic Development & Code
- Debt Service
- Fund Balance: Restoration (cash event only)
- Fund Balance: Restoration (appropriated)
- Pay-As-You-Go/Cash Capital Funding
- Schools Transfer
- Mass Transit Required Local Match

FY18 Budget Overview

- **The FY18 Budget represents the comprehensive set of priorities for the City, and defines how the City will spend and manage resident funds.**
- **It is based on meetings with each department leader, discussions with Council members, and data reports from OpenGov.**

Here's what we did:

1. Created a zero based budget developed in collaboration with our department leadership
2. Reorganized the organization structure of government.
3. Reinstated the 10% pay cut for all employees and raised compensation to at least the minimum pay ranges to compete with other jurisdictions.
4. Planned for modest revenue growth.
5. Outsourced selected City operations
6. Created level funding for schools.
7. Conducted a series of 8 Council Working Sessions and / or Council Meetings to discuss the budget for each major department and the administration.

The Vetting of the FY18 Budget

- The Budget process was a transparent and interactive budget process
 - **8 Public Sessions held with City Council**
 - **6 Working Sessions and 2 with City Council**
- A Budget is the only document that lists the stated priorities of a City, but also incorporates comprise from all involved

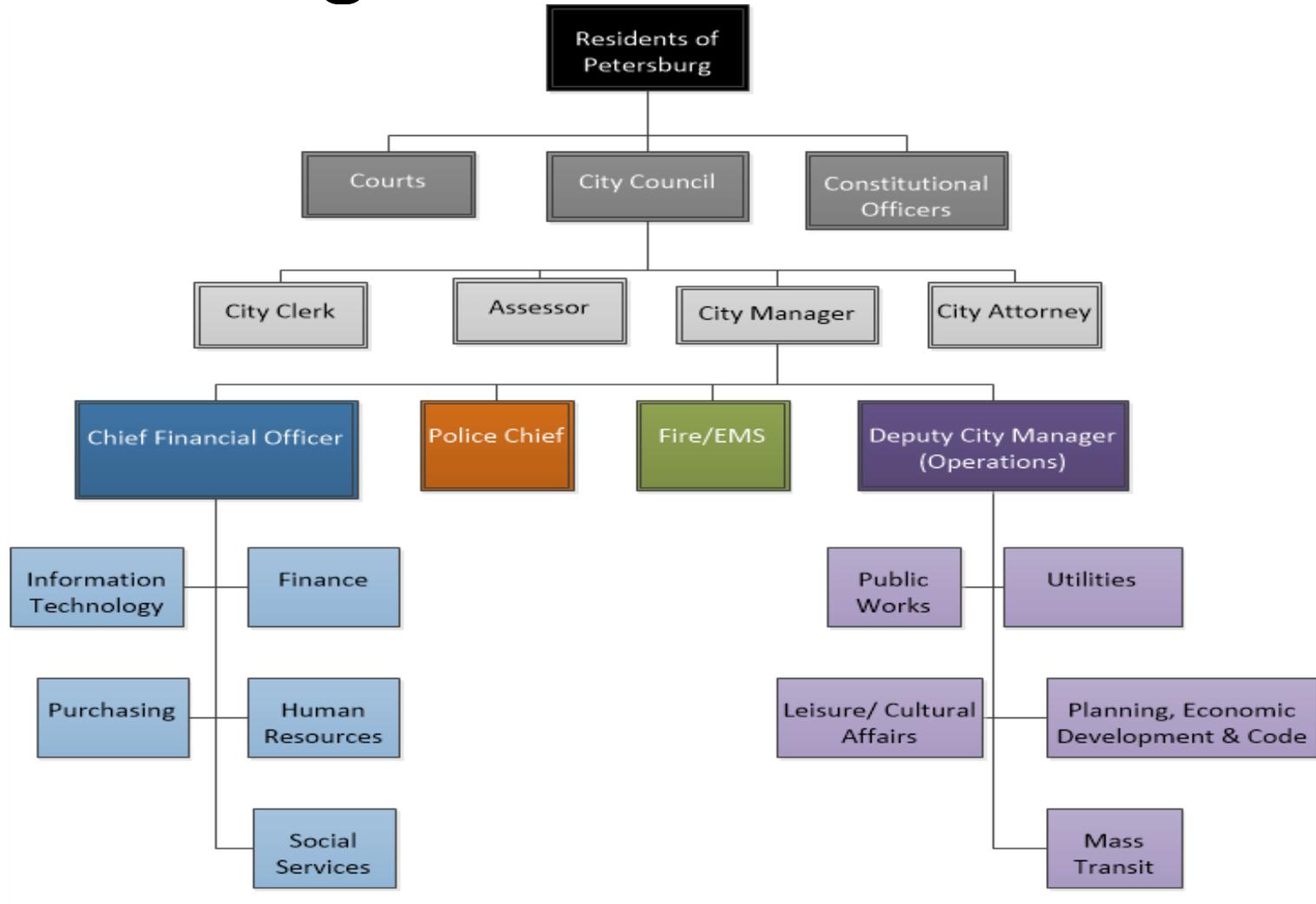
FY18 Budget Calendar

Date	Event
March 27	City Manager Proposed Budget to Council
March 27-April 28	Council Work Sessions on Budget
March 27	General Fund Revenues
March 29	Debt/Budget Policies; Capital Budget; Utilities
April 10	Police, Fire and Emergency Communications
April 12	Social Services Agencies; Health Department; Personnel/Benefits
April 24	Schools Operating & Capital
May 8	Leisure and Cultural Affairs; Planning, Economic Development & Code
May 2	Public Hearing on the FY 18 Budget
May 12	City Council submitted recommendations to City Manager
May 16	City Council discussed and reviewed changes to the budget
June 6	City Council Meeting to Adopt/Appropriate FY 18 Budget

How the FY18 Budget provides Fiscal Stability

- Creates new organizational structure with greater accountability and leadership
- Restores 10% to all City employees to increase morale and performance
- Provides budget and fiscal policies, adopted by City Council
- Incorporates a \$6M Fund Balance Restoration, but **ONLY AFTER *a liquidity, or cash, event***
- Appropriates a **\$750K contribution (3% of Budget)** to the Fund Balance
- Includes **\$160K funding (1% of Budget)** for current or future pay-as-you-go capital
 - Cash funded capital consistent with keeping budgetary flexibility
- **Completely pays back the Virginia Retirement System and South Central Waste Water** and begins repayment to Storm water Fund and Street Operations Fund
- Perpetual Care Fund moneys are being used to offset costs, but reduced to reflect **ONLY** the interest received (\$32K is all that is being provided)

Organization for FY18



This figure illustrates the organization of Petersburg City government that will be implemented along with the adoption of the FY 2018 budget.

FY 18 Budget Development Policies

- 1. The City will strive to maintain diversified and stable revenue streams to protect the government from fluctuations in any single revenue source.**
- 2. Current revenues will fund current expenditures.**
- 3. The City will pursue an aggressive policy seeking collection of delinquent fees.**
- 4. The City will prepare and annually update a 5 year financial forecast model.**
- 5. Expenditure and revenue projections will be developed quarterly and reviewed with Departmental Directors, the City Manager, and City Council.**
- 6. The City will budget for operating subsidies, if any, to its golf, mass transit or other funds requiring annual support from the General Fund.**
- 7. Once the City Manager proposes the budget, the City Council can only make recommended changes that keep the budget in balance.**

General Government (1 of 2)

- **Focus on Leadership and Establishing Structure**
 - **City Manager's Office**
 - Established a Deputy City Manager for Operations and a CFO
 - Restored a position to perform public information officer duties
 - **City Attorney's Office**
 - Restored an Assistant City Attorney position
 - Re-establish City Collector Position
 - Incorporate \$30K for Advertising Funds for Tourism
 - Provide funding for Cooperative Extension

General Government (2 of 2)

- **Healthcare**

- If we did nothing, the City faced a 14% increase in health care costs. Based on our FY18 Health Care Model, this would result in a ~\$300,000 additional cost.*
- To mitigate, two things occurred:
 1. We changed one of the plan offerings
 2. We modified the City/employee cost share to 80/20 from 90/10
 3. **We anticipate an annual Health Care cost to the City of \$2.8M.***

- **Outsourcing functions to streamline processes , provide economies of scale and eliminate redundancy**

- Procure a time and attendance system (currently manual) and outsource payroll processing
- Move to one copier contract (currently every department has at least one contract)
- Review City leases that will lead towards further savings in FY 18
- Outsource Risk Management functions, combine duties with Finance and HR

Police

- Brought base Police Officer pay to be competitive with surrounding jurisdictions and help with recruiting efforts
 - **Now at \$43,900**
- Dealt with the salary compression issues that has impacted retention efforts
- Hiring for 17 vacant police officer positions.
 - **Total Police Department will be 118 (111 FT, 7 PT).**
- Enhanced equipment needs
- Officially consolidated as divisions under Police: Animal Control and Emergency Communications
- **Reduced budget by \$150K to account for switch from lease to purchase of new vehicles (increase now considered Debt Service)**

Fire

- We will hire 14 vacant positions to staff up the Fire Department to new total of **83 FT & PT**
- We will address the critical fleet and facility challenges of the department
 - Funds available to lease the 3 new fire trucks
 - Funds available to address station needs
- Reduced budget by \$400K to account for switch from lease to purchase of new vehicles (increase now considered Debt Service)

Department of Public Works

- Includes: Engineering, Facility Management, Fleet Management, **Grounds (including Cemeteries)** & Streets
 - Separated out Utilities from DPW
 - Incorporated Fleet Management into DPW
- Move Grounds/Cemeteries to Leisure & Cultural Affairs
- Outsourced facilities maintenance and janitorial services

Utilities – New Department

- The Utilities Department has been brought out from under DPW given its significant budget and critical public service.
- Utilities maintains the infrastructure necessary to deliver drinking water and is responsible for wastewater collection and conveyance.
- Provide a PILOT (payment in lieu of taxes or indirect cost allocation) to the General Fund

Leisure & Cultural Affairs – New Department

- This newly formed department was constructed to provide a variety of high-quality sports, leisure, cultural, and heritage-based opportunities for Petersburg residents and visitors.
- It combines Parks & Leisure, Dogwood Trace Golf Course, Cemetery Operations, Sportsplex, Special Events/ Tourism, and Libraries
- Combining assets under one leadership goal will bolster leisure and sports
- Recreation programming to the community will be done by City employees, not outsourced to community-based organizations

Planning, Economic Development & Code

- We combined all three departments into one
- We continue to deal with the most critical neighborhood needs by increasing investment in securing structures and mowing
- In FY 18, the City is bringing Code Compliance under the direction of the Planning, Economic Development & Code Department Director and appropriating an additional \$200,000 in CDBG money for FY 18.

Other Changes Since Proposed

- Restored Part Time Salaries in Sheriff's budget
- Restored Community Corrections officer
- Provides \$300K to Transit Operations, but offsets by \$246K PILOT (or indirect cost allocation)
- Restored funding to continue the contract for refuse collections through Central Virginia Waste Management Authority

Capital Budget

- Provides \$160,000 for Pay-as-You-Go Funding
 - Contingency/Emergency
 - Repair Boiler at Centre Hill Mansion
 - Repair HVAC at Blandford Church
- Each project will come back to Council to be appropriated

RBG Progress Update

RBG Progress Update

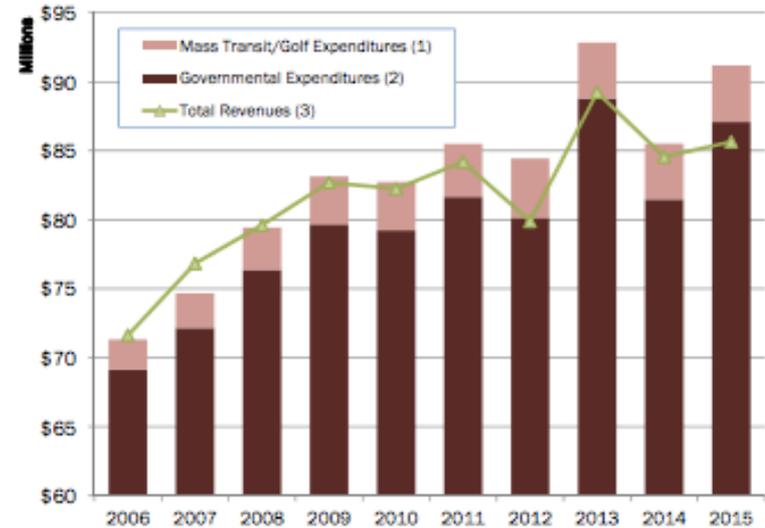
Background & Reminder

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)

FY17 was the first year since FY09 the City had a structurally balanced budget.

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

RBG Plan: 3/25/17 – 9/30/17

City of Petersburg Financial Emergency Turnaround – Key Project Activities

PHASE 2: MARCH 25, 2017 – JUNE 30, 2017

1. Implement the Long Term Debt Restructuring Plan
2. Develop plan to pay off current RAN
3. Complete and Implement FY 18 Budget Proposal
4. Develop Water Utility Repair Plan (e.g., PPEA)
5. Manage and Report findings for Forensic Audit
6. Complete FY16 CAFR by July 2017
7. Complete Executive Search Firm hiring by July 2017
8. Hired Fire Chief and Transit Director
9. Complete financing for police & fire vehicles
10. Submitted Proposal to State for Funding Assistance for RBG Contract Extensions
11. Complete Pre-Audit Work for FY17
12. Implement new Real Estate Sale Process & realize revenue
13. Implement Workforce Reorganization
14. Optimize City Technologies for data and reporting
15. Create repeatable data & reporting for Financial Reports
16. Develop and Execute Policies for Controls and Reporting
17. Develop Standard Operating Procedures (SOPs)
18. Manage and Measure Financial and Purchasing Policies
19. Initiated new Billing and Collections process and begin collecting delinquent revenues
20. Evaluate Utilities meter reading and billing technologies
21. Evaluate Johnson Controls contract
22. Provide Executive Coaching to New Hires
23. Schedule Visits for Ratings Agencies to Petersburg in June

RBG Plan: 3/25/17 – 9/30/17

City of Petersburg Financial Emergency Turnaround – Key Project Activities

PHASE 3: JULY 1, 2017 – SEPTEMBER 30, 2017

1. **Develop the 5-Year Financial Plan**
2. **Develop & Implement the 5-Year Capital Improvement Program**
3. **Implement Financial & Purchasing Policies**
4. **Conduct City wide training for OpenGov**
5. **Conduct City wide training for CityWorks**
6. **Continue to evaluate options for the sale of the Water & Sewer Utility Sale process as needed to address the critical infrastructure issues facing the Water and Sewer system**
7. **Develop Implementation Strategies for Outsourcing execution and implementation**
8. **Develop and Implement Standard Operating Procedures (SOPs) for Finance**
9. **Implement Findings to address issues uncovered during the Forensic Audit**
10. **Assist Management Team to implement FY16 CAFR findings**
11. **Implement a Budget Transition Plan**
12. **Provide Executive Coaching for New Hires**

City Council's Process to Hire the New City Manager

- **City Manager:**
 - **May 3rd:** Provide the semi-finalist materials to the City
 - **May 22nd:** One-on-one, group interviews and full City Council Interviews and decision
 - **June 10th:** City Council will conduct its second round of interviews with the finalists and make an offer
 - **Post Selection:** conduct background investigations of the selected candidate and negotiate the employment agreement with the final candidate
 - **July (TBD):** Start Date for the New City Manager

**The City Council – not The Robert Bobb Group
– is hiring the new City Manager.**

Decision Made on the New Finance Director

- **Finance Director:**
 - A decision has been made and we are negotiating with the finalist
 - **July 10th is the Targeted Start Date for the New Finance Director**

Decision Made on the New Police Chief

- **Police Chief:**
 - We are conducting a background check and negotiating with the finalist for the new Police Chief
 - July (TBD): Start Date for the Police Chief

Forensic Audits Update

- **Completing in person interviews this week**
- **Reminder of the Scope:**
 - **Commissioner of Revenue Office**
 - **Office of the Treasurer**
 - **Special Funds**
 - **Enterprise Funds**
 - **Surplus Vehicles**
 - **Perpetual Care Fund**
 - **Purchase Cards**
 - **Johnson Controls Contract**

**Report will be
available by end of
August 2017.**

Revenue Collection – Delinquent Vehicle Tax Payers

In our last Council meeting on 5/16/17, the Mayor asked RBG to review technologies to capture delinquent vehicle property tax payments.

- Fredericksburg's Treasurer increased collections of delinquent accounts from \$83,000 to \$204,000 in the first quarter and \$1M since 2009
- Petersburg's population (32,000) is comparable to Fredericksburg (28,000)

Very Conservative Annual Revenue Projection: \$110,000.

Next Step: Design and Implement a 6 Month Pilot working with the Treasurer, Police Department & Public Works

Revenue Collection – Delinquent Vehicle Tax Payers

- Petersburg, Virginia has 32,000 residents and could be leaving **~\$7M in uncollected vehicle personal property taxes on the table.**
- We researched a range of technology solutions involving scanners/readers on City vehicles (police cruisers, Public Works vehicles, etc) and wireless boot locks on cars, etc.

Newport News, Va “Low Tech” Option

- **How It Works (“Low Tech” Option):**

1. License plate scanners mounted on police cruisers or other City vehicles scan license plates flagged as delinquent in our database.
2. If a match is found in the database of delinquent tax accounts, an **alarm alerts the police officer or City employee who then contacts the treasurer’s office.**



Example of “Low Tech” option
used in Newport News, Va

Fredericksburg, Va “High Tech” Option

- How It Works (“High Tech” Option):

1. License plate scanners mounted on police cruisers or other City vehicles scan license plates flagged as delinquent in our database.
2. If a match is found in the database of delinquent tax accounts, an **alarm alerts the police officer or City employee who then puts a “Smart Boot” on the vehicle.**



Example of “High Tech” option
used in Fredericksburg, Va

Revenue Collection – Delinquent Vehicle Tax Payers

What We Would Expect a Vendor to Provide:

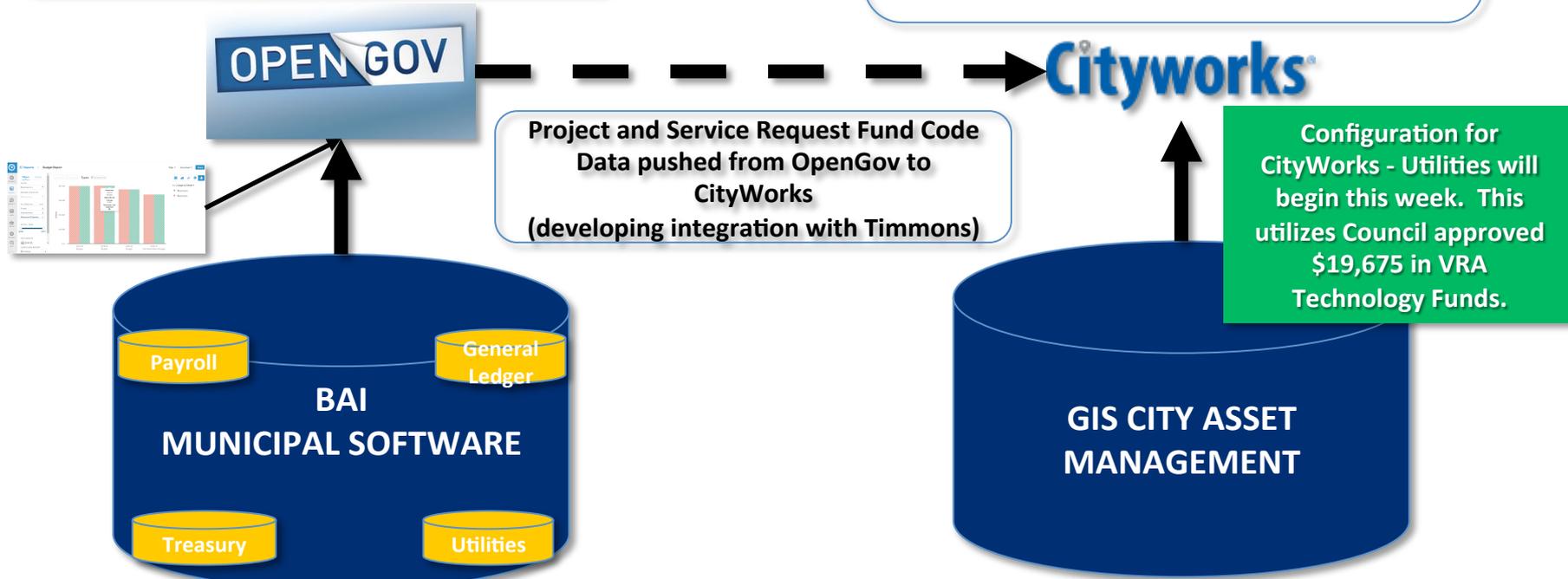
- Development of a detailed standard operating procedures manual
- Integration of their system with the City's system of record
- Producing windshield notices
- Developing call scripts for City staff answering calls from motorists booted in Petersburg
- a 3-day supply of boots (maintained and replaced by vendor)

Next Step: Design and Implement a 6 Month Pilot working with the Police Department and Public Works

Technology Architecture – Key Systems

OpenGov provides financial data reporting based on the Chart of Accounts generated in BAI. The City is building its FY18 Budget in OpenGov. It was purchased by the City in 2015.

Cityworks manages public works service request tickets. It was purchased in 2015 to utilize the City's GIS investment built by Timmons since 2014. The scope includes Facilities, Engineering, Utilities & Street.



BAI is the financial system of record for the City and manages all City financial data and reporting. It includes the General Ledger, Payroll, Treasury, Utilities. Bright.net is a BAI web interface employees can use to access paystubs and general financial information.

The City invested in GIS buildout by Timmons since 2014. The GIS system is a valuable data repository that can be used by Facilities, Utilities & Engineering. It can also be used to map Police and Fire incident data.

Transparency

- All presentations are available on the City's website:

<http://www.petersburgva.gov/index.aspx?NID=846>