

City of Petersburg Emergency Financial & Operational Restructuring

Presentation to Petersburg City Council

The Robert Bobb Group, LLC

July 31, 2017

Agenda

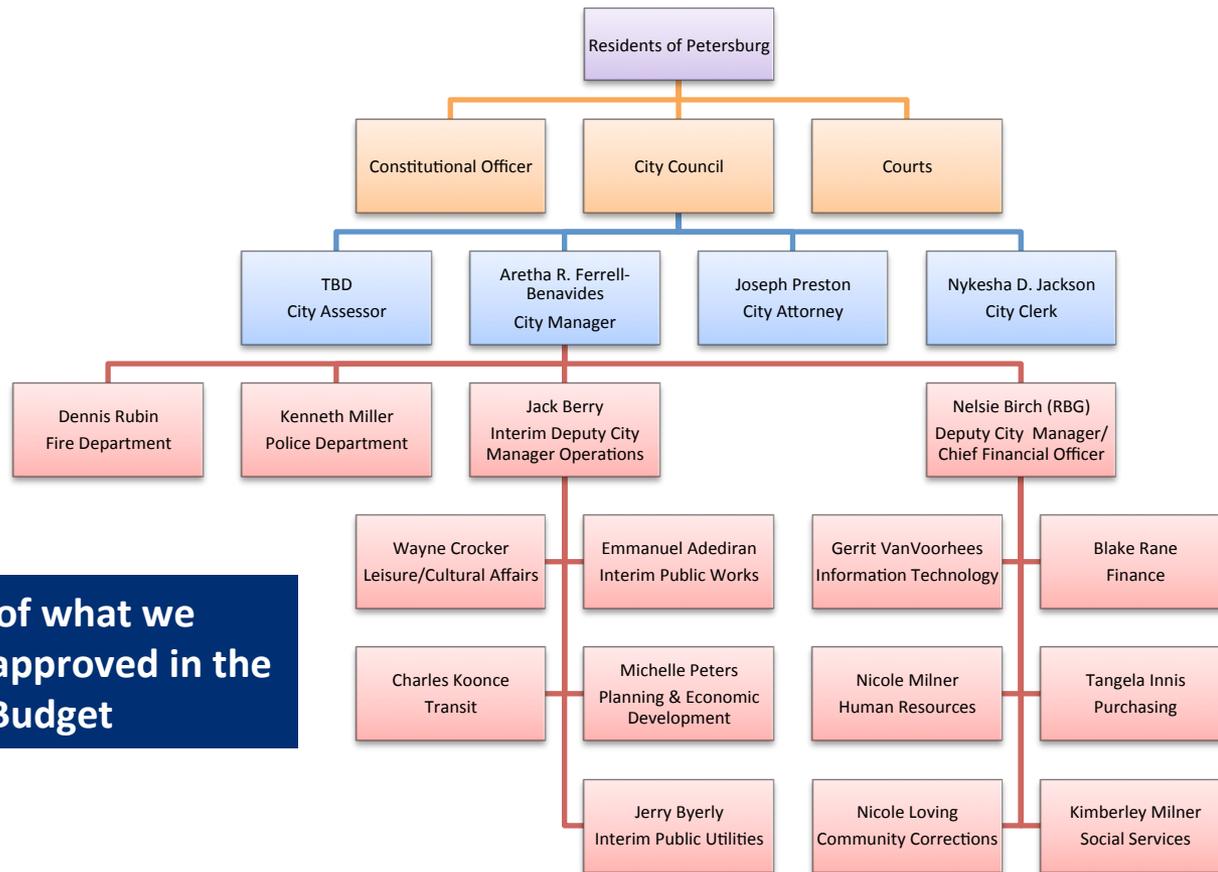
- **City Organization Chart**
- **Overview of City Collector Functions**
- **RBG Progress Report**
 1. RBG Project Plan Phase 3: July 1 – September 30, 2017
- **Transparency**

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

City Organization Chart

City Organization Chart

City of Petersburg Organizational Approved in Budget



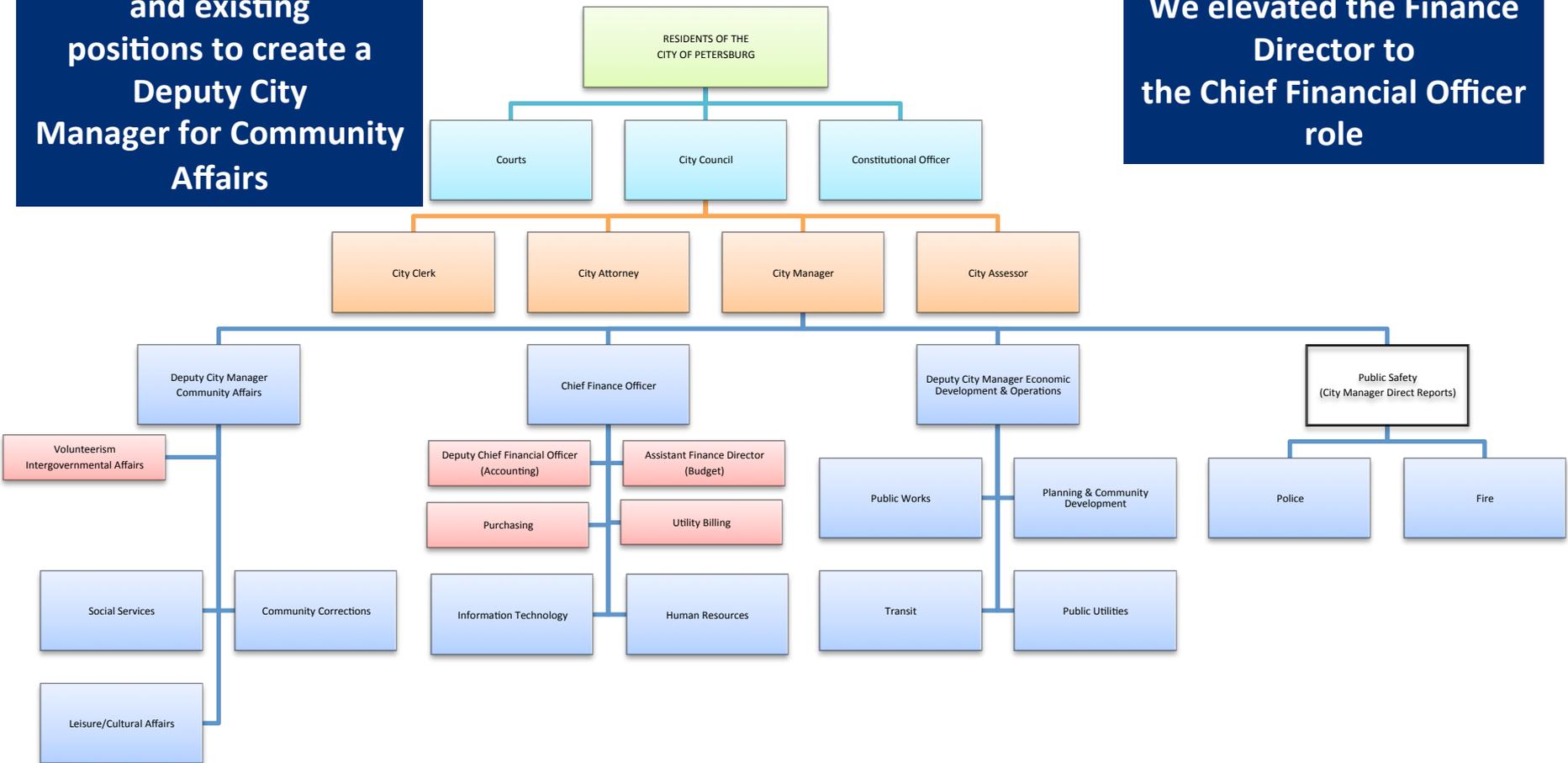
**Reminder of what we
proposed and approved in the
FY18 Budget**

Petersburg Org Chart

City Manager Realignment 7/31/17

We utilized approved and existing positions to create a Deputy City Manager for Community Affairs

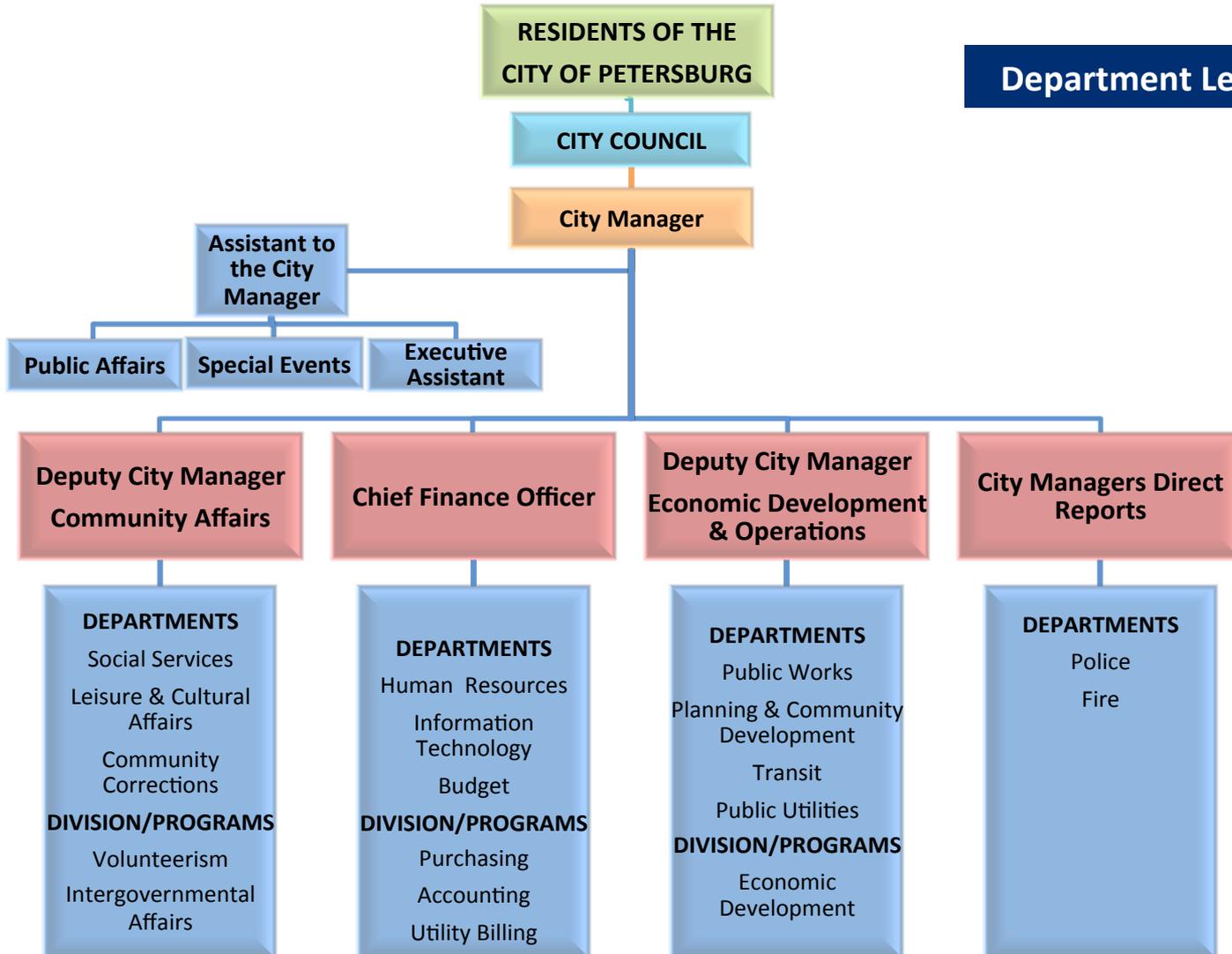
We elevated the Finance Director to the Chief Financial Officer role



Petersburg Org Chart

City Manager Realignment 7/31/17

Department Level View



Overview of City Collector Functions

City Collector Functions & Organization

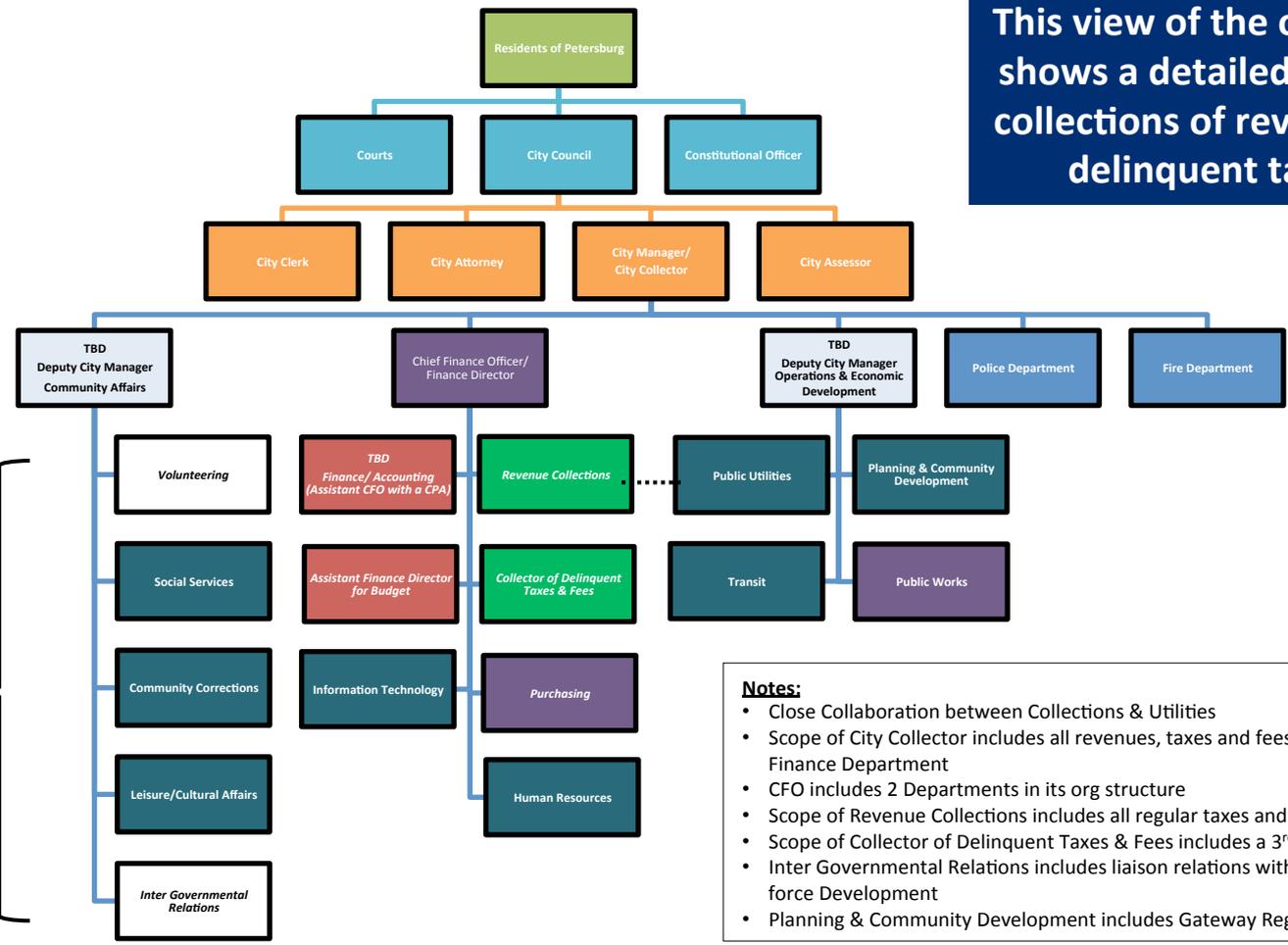
City of Petersburg Organization

This view of the org chart shows a detailed view of collections of revenues & delinquent taxes

Level 1 Structure

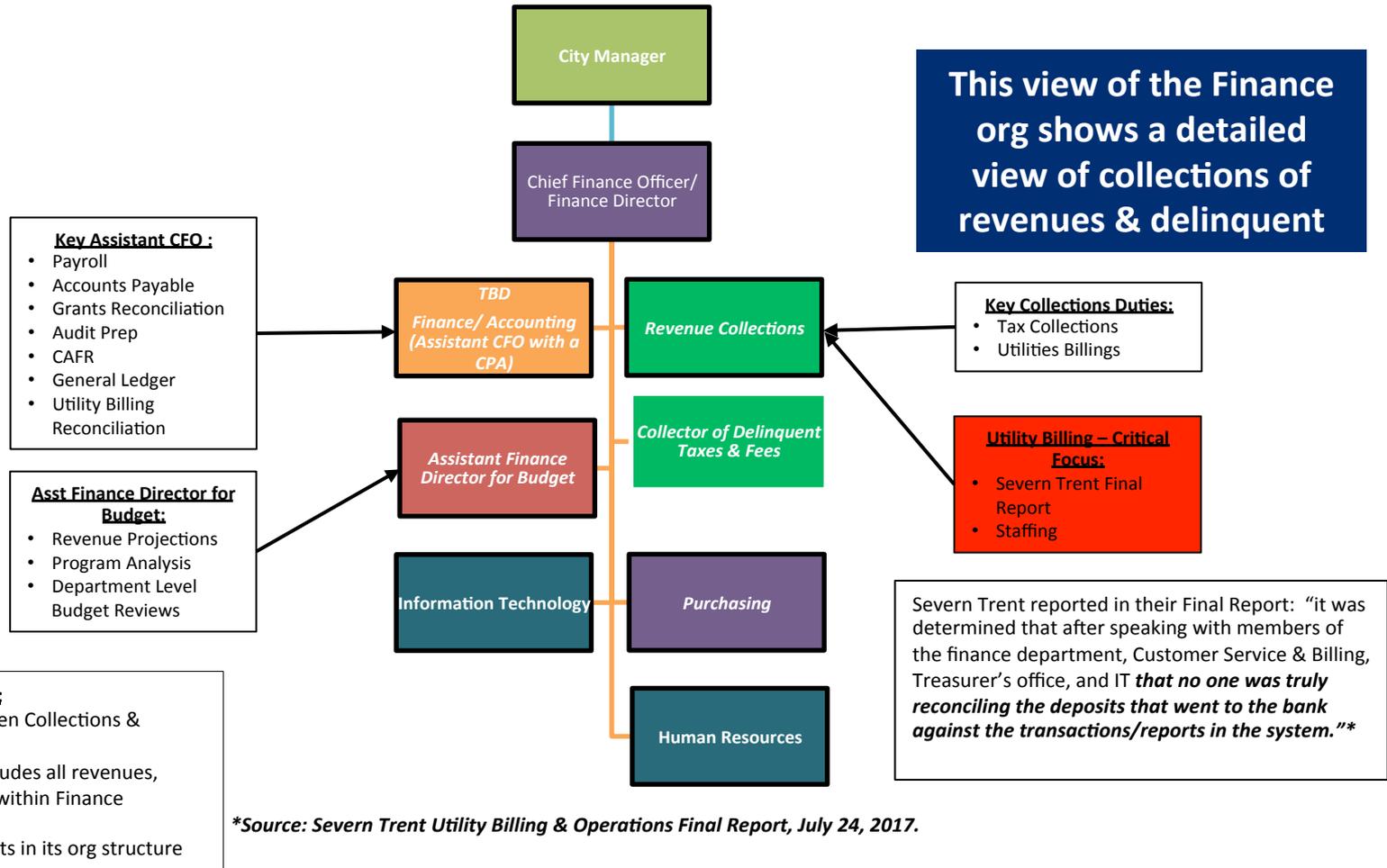
Level 2 Structure

Level 3 Structure

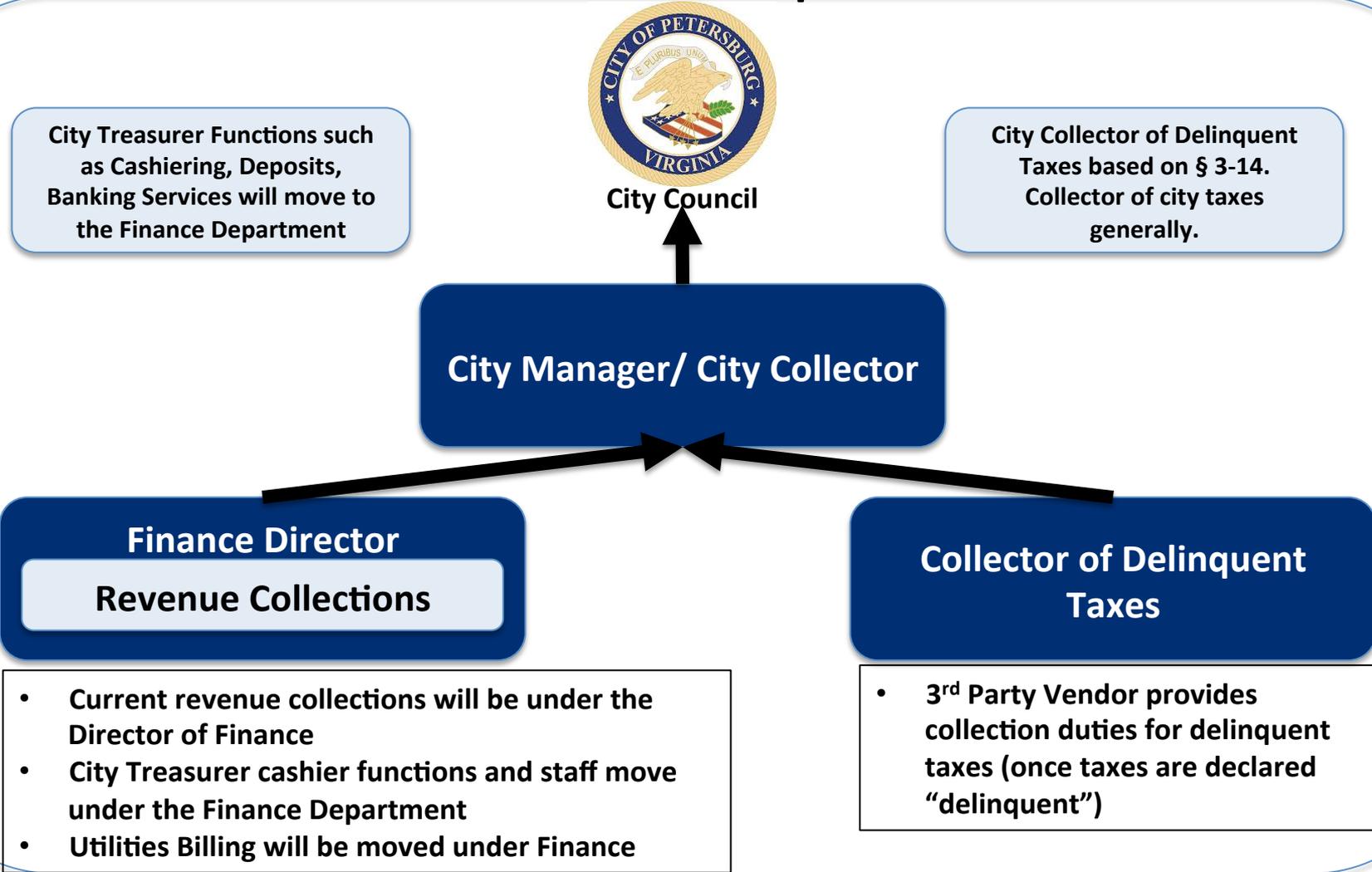


- Notes:**
- Close Collaboration between Collections & Utilities
 - Scope of City Collector includes all revenues, taxes and fees collections within Finance Department
 - CFO includes 2 Departments in its org structure
 - Scope of Revenue Collections includes all regular taxes and Utility Billings
 - Scope of Collector of Delinquent Taxes & Fees includes a 3rd Party
 - Inter Governmental Relations includes liaison relations with Schools, Courts, Work force Development
 - Planning & Community Development includes Gateway Region, Regional Tourism

Finance Organization



Revenue Collections vs. Collector of Delinquent Taxes



Petersburg Current State Process Overview

- Personal and business property
- Machinery tax
- Consumption tax
- Meals and lodging tax
- Admissions tax
- Cigarette tax
- Business License

Real Estate Assessor

The Assessor is appointed by and reports directly to City Council, and is their primary adviser on state/ local laws & policies applicable to appraisal & assessment of real property.

City Treasurer

The elected Treasurer is responsible for the receipt and collection of revenue, the safekeeping of revenue, and the appropriate accounting for and disbursement of revenue.



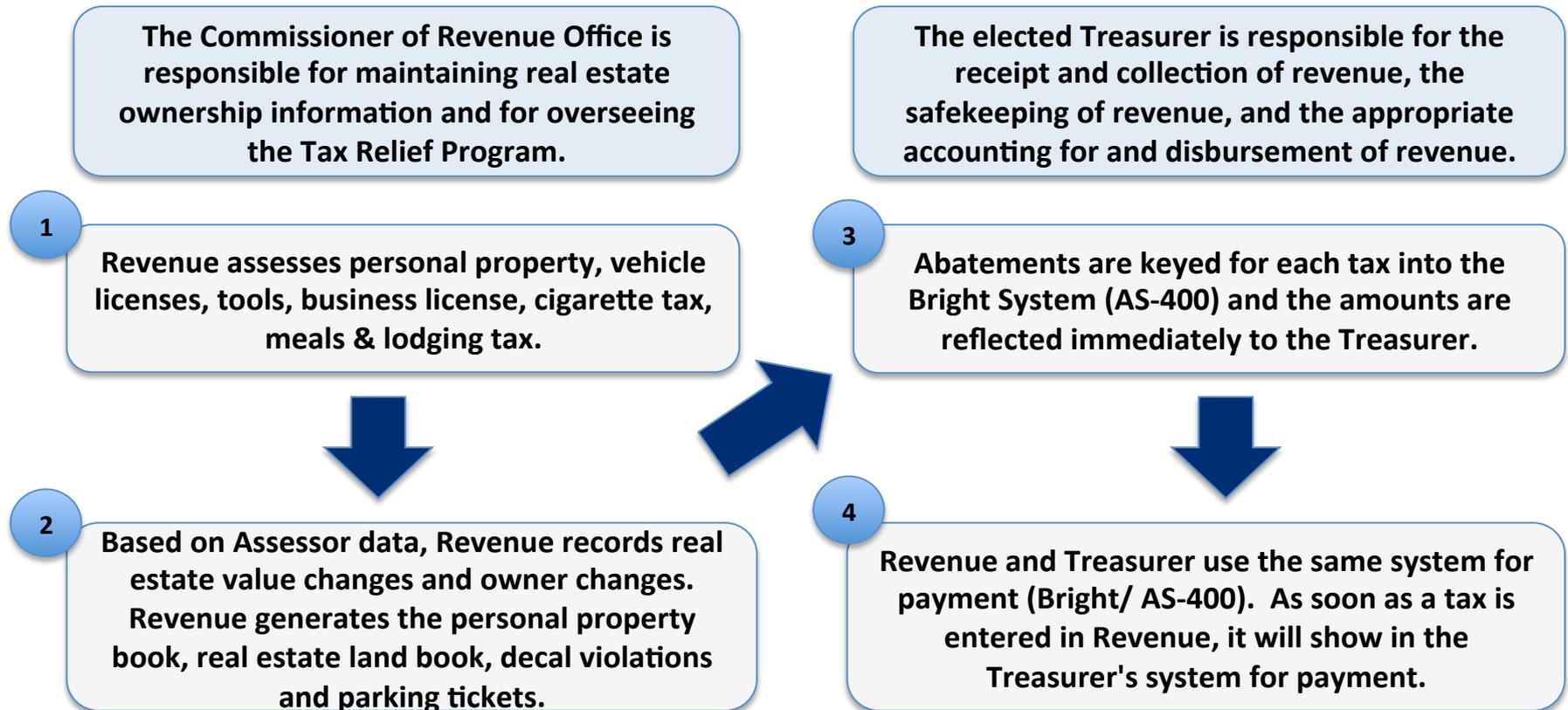
Commissioner of Revenue

The Commissioner of Revenue Office is responsible for maintaining real estate ownership information and for overseeing the Tax Relief Program.



Current State Process: Revenue -> Treasurer

Process Flow from Revenue Office to Treasurer Office

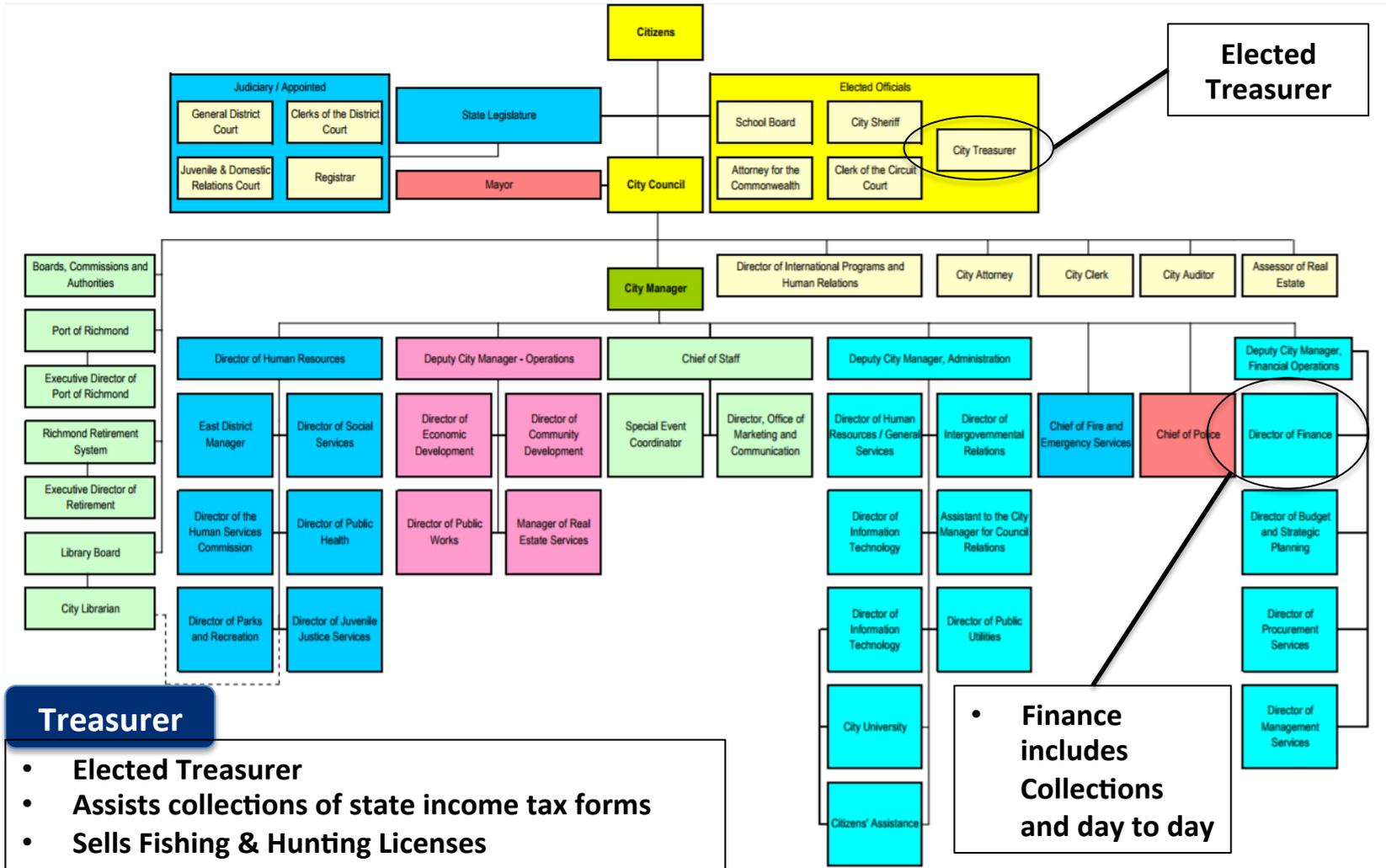


Note 1: Only observed manual process is a signed certification of daily abatement report

Source: <http://www.petersburgva.gov>

Note 2: Only Treasurer Can View Delinquent Amounts

City of Richmond Org Chart



Richmond Model for Collections Functions within the Finance Department

Collections Division:

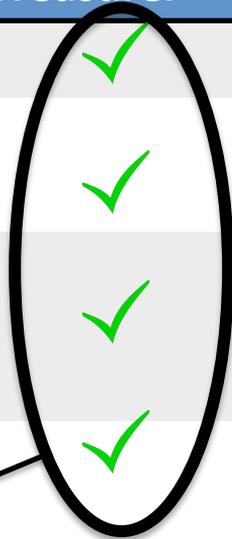
- **Responsible for the collection and accounting for all taxes, fees, utility payments and all miscellaneous revenue due to the City of Richmond**
- **Coordinates the printing and mailing of all delinquent real estate and personal property tax billings twice per year (this is managed by the Commissioner of Revenue in Petersburg)**
- **With the City Assessor's Office, the division also supports:**
 - **Maintaining tax rehabilitation**
 - **Elderly tax relief**
 - **Tax abatement status records on all real estate accounts**

City of Richmond Treasurer is Elected but does not collect revenues or taxes

Comparison Chart of Functions

Current State

| Financial Service | Richmond Finance | Petersburg Finance | Petersburg Treasurer |
|--------------------------------|------------------|--------------------|----------------------|
| Business License | ✓ | | ✓ |
| Business Property Tax | ✓ | | ✓ |
| Vehicle Registration & License | ✓ | | ✓ |
| Bills/Fees/City Charges | ✓ | | ✓ |



Current Petersburg Treasurer Functions

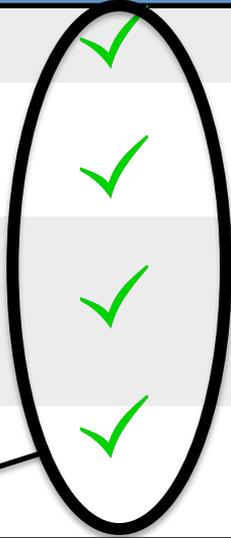
Current State Functions – City Treasury

1. Reconcile all deposited moneys to the banking services provider.
2. Communicate all deposits made, the origin of the deposit, and the purpose of the deposit to Finance and work with Finance to post deposits appropriately.
3. Work with the banking services provider to report all funds collected and all funds invested; banking service contract is managed by the Director of Finance in consultation with the City Treasurer and City Collector.
4. Disburse funds, through electronic or manual check means, at the direction of the Director of Finance. Dual signatures required (Director of Finance and City Treasurer) for release of all funds from the City's accounts.
5. Provide monthly, quarterly and annual financial closing information, as required, for reporting purposes.

Comparison Chart of Functions

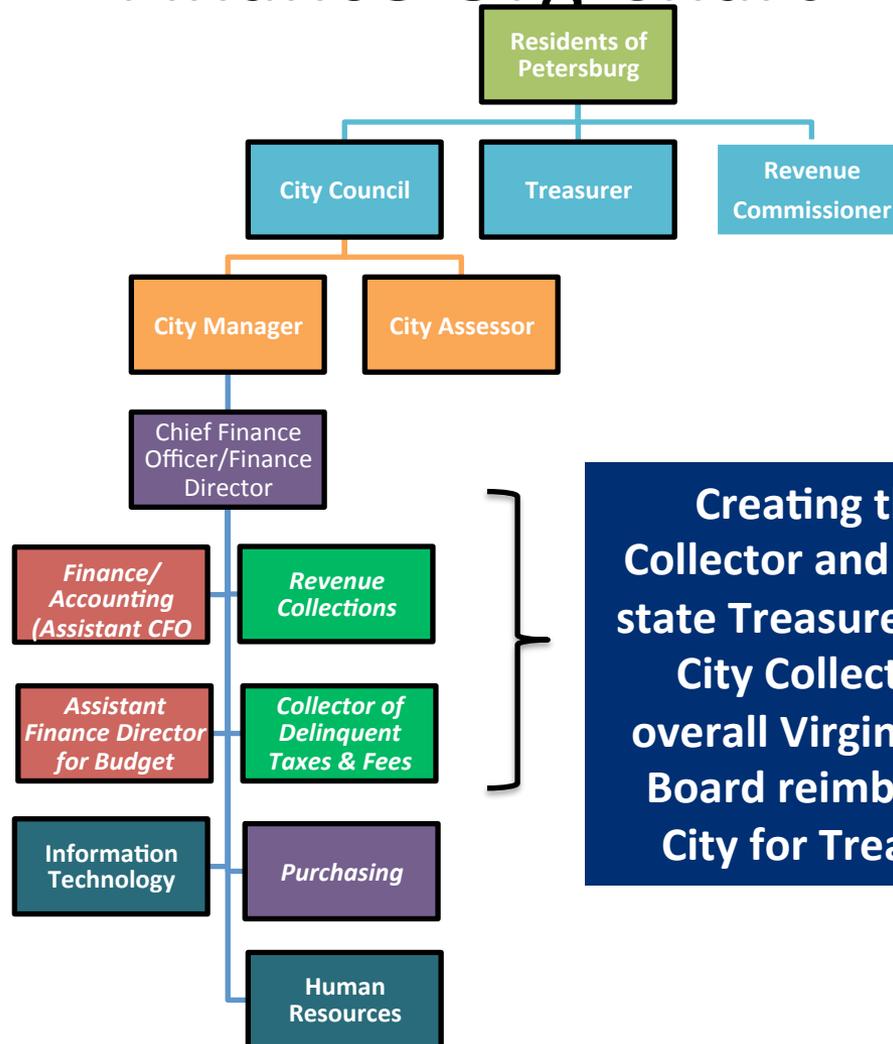
Future State

| Financial Service | Richmond Finance | Petersburg Finance | Petersburg Treasurer |
|--------------------------------|------------------|--------------------|----------------------|
| Business License | ✓ | ✓ | |
| Business Property Tax | ✓ | ✓ | |
| Vehicle Registration & License | ✓ | ✓ | |
| Bills/Fees/City Charges | ✓ | ✓ | |



Proposal: Petersburg Finance Department assumes these functions

Current State Revenue, Collections and Finance Org Chart



Creating the role of City Collector and assigning current state Treasurer functions to the City Collector reduces the overall Virginia Compensation Board reimbursement to the City for Treasury personnel

Target State Functions: Finance – Accounting

1. Establish all bank accounts for use by the City Treasury and consistent with the reporting requirements of the General Ledger.
2. Authorize all disbursements and check-writing conducted by Treasury.
3. Establish security protocols, in conjunction with Treasury and consistent with best financial practices, related to dollars in and dollars out of the Treasury. Reconcile monthly all bank accounts.
4. Finance will establish the banking services contract, in cooperation with the Treasurer and City Collector, including establishing protocols that ensure the latest technology that is available is used and maximized to increase customer experience, timeliness of cash recognition, and reduce risks and costs to the City.
5. All General Ledger activity, including the Chart of Accounts and the creation or deletion of account codes, are the responsibility of Finance.
6. Authorize all payments that are disbursed out of the Treasury.
7. Develop Investment Policy & Plan to establish investment path forward.

Target State Functions: Finance – City Collector

1. The City Collector shall collect all moneys owed to City and make the into the City's banking account (s). Reports of the deposited funds will report to Treasury and coded to the General Ledger appropriately.
2. The City Collector shall procure and manage all collections contracts to maximize revenue collections.
3. The City Collector shall work with the banking services provider to ensure that collection efforts, including all billing and collections activities, are collected and recognized in the City's checking accounts, as timely as possible. This shall include maximizing all technological capabilities available to drive the highest performance.
4. The City Collector shall work to reduce costs while maximizing payment capabilities using electronic, on-line, in person, kiosks, etc.

RBG Recommendation

- Note that the **Collection Flow Chart** assigns the **function for cash deposits to the Finance Department**. The City Charter states:

Complete text on next slide

Sec. 3-13. - Powers and duties of treasurer.

The city treasurer shall be the custodian of all moneys belonging to the city, shall deposit the same in such bank or banks as the council shall prescribe....

- **Recommendation: RBG recommends that Council requests the General Assembly to amend the Petersburg Charter to give the deposit function to the Collector.**

Complete Text of City Charter Section 3-13

§ 3-13. Powers and duties of treasurer.

- The city treasurer shall be the custodian of all moneys belonging to the city, shall deposit the same in such bank or banks as the council shall prescribe, shall keep his office in some place designated by the city council, shall keep his books and accounts in such manner as the city council may require, which books and accounts shall always be open to the inspection of the mayor, and any member or committee of the city council, city manager, and finance director or equivalent officer.
- He shall report to the city council at the end of each fiscal year, and more often, if required, a full and detailed account of all receipts and expenditures during that year and the state of the treasury.
- He shall keep as a separate fund any special assessment, and the same shall only be used for the purpose for which it was raised. He shall keep all city moneys separate and distinct from his own moneys, and he is prohibited from using either directly or indirectly the corporation money in his custody and keeping, for his own use and benefit or that of any other person or persons whomsoever and any violation of this provision shall subject him to immediate removal from office. (1962, c. 259; 2017, cc. [222](#), [733](#))

RBG Progress Update

RBG Progress Update

RBG Phase 2 Plan – COMPLETED

City of Petersburg Financial Emergency Turnaround – Key Project Activities

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

- ✓ **Implement the Long Term Debt Restructuring Plan**
- ✓ **Develop plan to pay off current RAN**
- ✓ **Complete and Implement FY 18 Budget Proposal**
- ✓ **Develop Water Utility CIP**
- ✓ **Manage and Report findings for Forensic Audit**
- ✓ **Complete FY16 CAFR by July 2017**
- ✓ **Complete Executive Search Firm hiring by July 2017**
- ✓ **Hired Police Chief, Finance Director, Fire Chief and Transit Director**
- ✓ **Finalize Recruitment of the CFO**
- ✓ **Complete financing for police & fire vehicles**
- ✓ **Submitted Proposal to State for Funding Assistance for RBG Contract Extensions**
- ✓ **Develop the Plan Pre-Audit Work for FY17**
- ✓ **Implement new Real Estate Sale Process & realize revenue**
- ✓ **Implement Workforce Reorganization**
- ✓ **Optimize City Technologies for data and reporting**
- ✓ **Create repeatable data & reporting for Financial Reports using OpenGov**
- ✓ **Develop and Execute Policies for Financial Reporting**
- ✓ **Develop Standard Operating Procedures**
- ✓ **Manage and Measure Financial and Purchasing Policies**
- ✓ **Initiated new Billing and Collections process and begin collecting delinquent revenues**
- ✓ **Assess Utility Billing Processes**
- ✓ **Evaluate Utilities meter reading and billing technologies**
- ✓ **Evaluate Johnson Controls contract with Forensic Audit Team**
- ✓ **Provide Executive Coaching to New Hires**
- ✓ **Schedule Visits for Ratings Agencies to Petersburg on July 13th**

RBG Plan: 7/1/17 – 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**

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.**

The City's Path Forward = \$19.8 Million

The City's Path Forward Depends on a \$19.8 Million Fund Balance:

1. Collect Receivables to increase Cash (\$5.05M)

- Increase collections and improve timeliness of collections

2. Repay Reconciled Overdraft (borrowing from other funds \$7.2M)

- Need One-Time Cash Revenue (aka Liquidity Event)
- Need Continued Budget Surpluses
- By eliminating this, you will help Unassigned Fund Balance by an equivalent amount

3. Eliminate deficit Unassigned Fund Balance (\$7.7M)

- Need One-Time Cash Revenue (aka Liquidity Event)
- Need Continued Budget Surpluses

4. Require \$7.7M just to get to \$0

- The City needs an additional \$12.1M to meet financial policy requirements, eliminate need for the annual RAN, provide adequate working capital, & regain access to credit markets

**\$7.7 Million + \$12.1 Million
=
\$19.8 Million**

Utility Billing Assessment

Findings & Implementation Plan

Utilities Billing and Collections

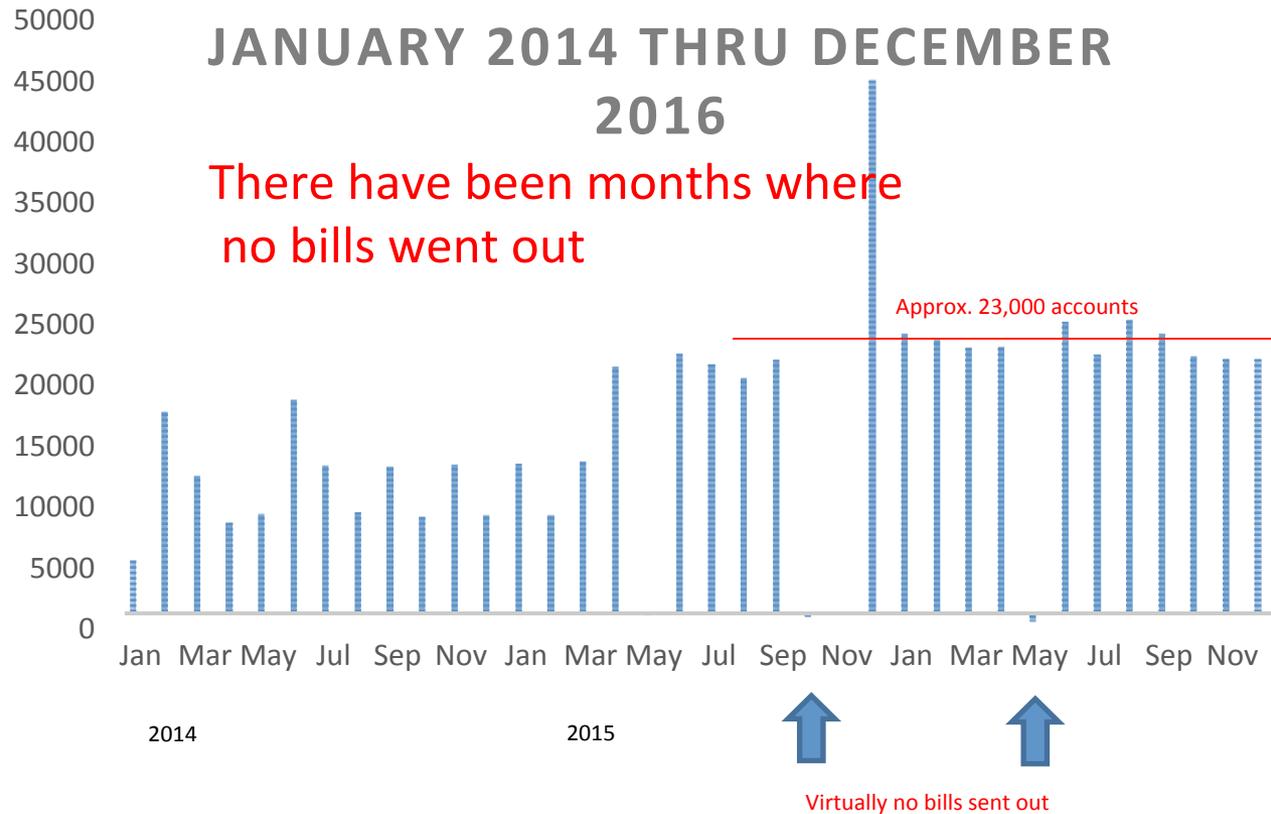
Action Plan

July 31, 2017

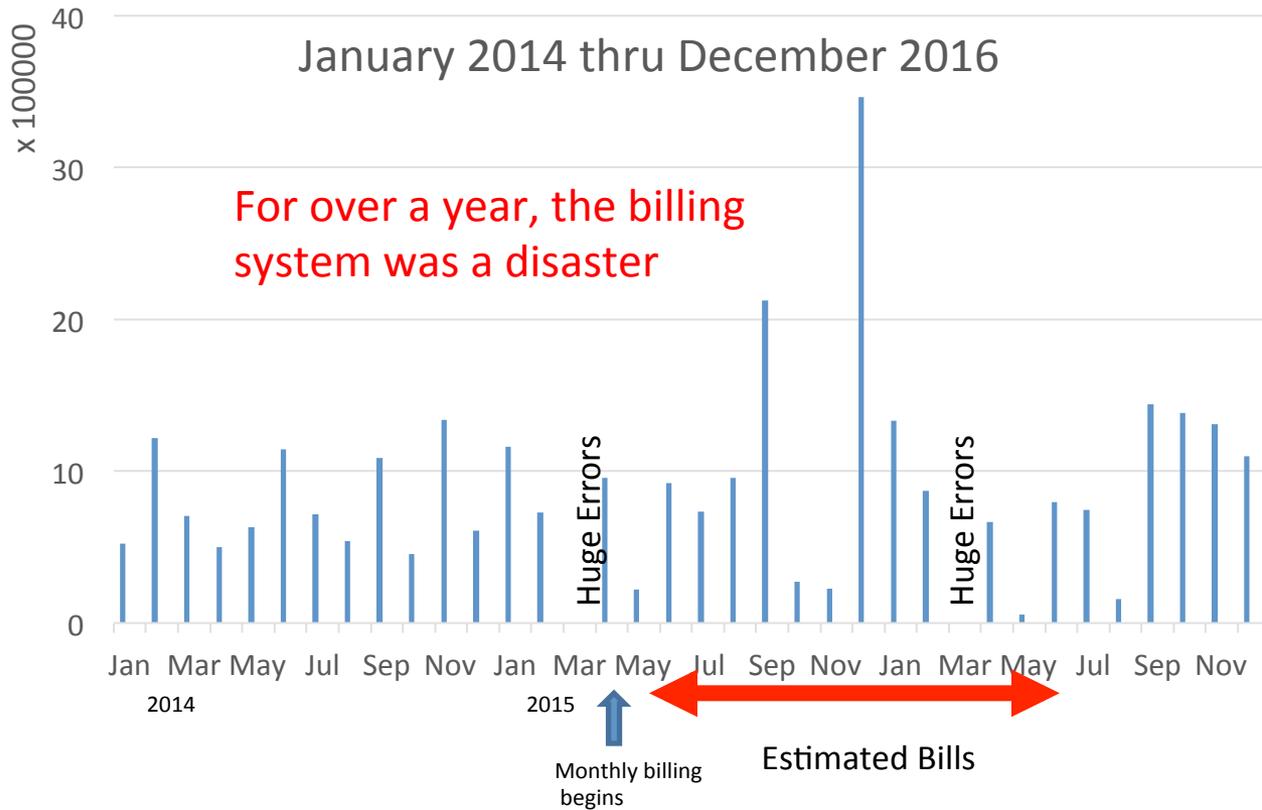
Basic Problems:

- Extremely low collection rate
- Customers billed incorrectly
- Customers not billed at all
- Inadequate procedures, controls, reconciliations
- Inadequate systems, technology
- Poor implementation of meter conversion project
- Poor customer service

Number of Monthly Bills Sent Out



Monthly Utilities Billings (\$)





CUSTOMER SERVICE & BILLING OPERATION ASSESSMENT

Prepared for

CITY OF PETERSBURG VIRGINIA

103 Tabb St

Petersburg, VA 23804

6/1/2017

Assessment Period May 15-18



Billing and Collections Action Plan

- Engage **Severn-Trent Services** to analyze Billing and Collections operation and make recommendations for improvements
- Issue **Request for Proposals (RFP)** to outsource the entire Billing and Collections function (**Proposals Due 7/28/17. Received 4 Proposals**)
- Bring in **Aclara Technologies** to evaluate opportunities for replacing large commercial meters and converting to Advanced Metering Infrastructure (AMI)
- Review **Johnson Controls** contract and gain a comprehensive understanding of the contract provisions, features of the system (some of which have not been activated such as leak control), opportunities for enhancements, etc.

Billing and Collections Action Plan

- Obtain proposals to complete the replacement of the **1,100 large meters** (commercial) and determine which **technology (AMR/AMI)** to deploy (**RFP process to engage vendor to test and replace commercial meters**)
- Investigate the **options for upgrading or completely replacing the existing billing and collection software**, including cloud based solutions, ensuring compatibility with current financial/accounting system
- Develop **comprehensive policies and procedures manual** after review of policies in neighboring jurisdictions (**local/industry standards for penalties, fees**) **Develop employee training program.**
- Reconcile on a **monthly basis the billing system to the general ledger** (**this addresses the qualified opinion received in the FY16 Audit; if we do not address this will repeat as a qualified opinion in the FY17 Audit.**)

Billing and Collections Action Plan

- Implement a monthly **edit check system prior to utility bills being finalized to eliminate billing errors** before they are mailed
- Implement a **system of internal controls (checks and balances) to prevent unauthorized adjustments or write-offs of customer bills** and to document the supporting purpose and reason for all adjustments
- Implement **procedures to document connection charges** and ensure that accounts are established for new customers
- Review **staff position job descriptions and salary levels** to ensure that all positions are compensated appropriately
- Ensure that **roles, responsibilities, objectives are clearly established** for all employees in Billing and Collections, including IT support professionals

Billing and Collections Action Plan

- Undertake an **audit of every meter and every account** to ensure that the correct meter is attached to the correct account and that the meter size, measurement type, and ERT are correctly configured
- **Document instructions on the utilization of all information systems** so that all employees are properly trained and are able to access needed information
- Improve **accounting information systems to maximize full functionality** (including ability to document account history notes and provide audit trail), and ensure that customer accounting information is readily available (including accounts receivable reports, AR aging reports, delinquencies, cut-offs, payment plans, customer information, etc.)

Billing and Collections Action Plan

- **Automate compound meter billing calculations** to eliminate manual calculations (currently done on excel spreadsheets and entered into system) which are prone to error and which do not provide sufficient audit trail
- **Upgrade billing system to allow validation of mailing addresses** in order to minimize returned mail
- **Upgrade the current phone system** to provide the capability to run reports, track metrics on missed calls, wrap time, dropped calls and monitor staff productivity
- **Upgrade website to provide more information** and reduce customer inquiries

Billing and Collections Action Plan

- **Improve billing statements to provide more information** regarding consumption, billing period, calculation, notes, etc. to reduce confusion and reduce billing inquiries and complaints
- **Implement an automated work order system** to allow employees to know the status of all work orders relating to meters in process **(CityWorks being implemented to address this)**
- **Assess the system for the need for backflow prevention** devices to prevent water from running backwards through meters and to prevent the risk of contaminated water entering the system
- Review and **evaluate the meter reading/billing cycle** (potentially adding weekly cycles) to smooth workloads, cash flow, and enable quicker processing and posting of payments

Billing and Collections Action Plan

- **Re-instate delinquent penalties and interest charges**, which have not been assessed since September 2015 due to processing delays in the Treasurer's Office
- **Implement an aggressive program of collecting delinquent accounts**, tracking and reporting progress (metrics) to management and City Council on a monthly basis
- **Implement an aggressive cut-off program**, tracking and reporting results monthly, in order to stimulate prompt payments
- **Eliminate the current irrigation meter in which customers purchase from retail stores and read their own meters on an honor system.** Require customers to install meters purchased from the City which are read automatically by the City

Billing and Collections Action Plan

- **Review the possibility of establishing variable new-customer deposits based on credit history**
- **Review the possibility of changing the rate structure to include within the base rate a set number of gallons allowed based on size of meter before consumption charges kick in**
- **Streamline the account set-up process** to reduce the number of trips between the Treasurer and the Billing Office that a customer must make ***(currently 7 trips)***
- **Evaluate the possibility of co-locating the Billing Office with the Treasurer or providing kiosks at the Billing Office** to allow payments to be made and recorded on the spot

Billing and Collections Action Plan

- **Require deposits for all new accounts** regardless of the number of active accounts held by a particular customer
- **Evaluate the process for writing offs.** Accounts older than 5 years are unlikely to be collectible and may be overstating accounts receivable
- **Establish a process for promptly placing liens on properties** where there is a delinquent account
- **Aggressively pursue residents who have stolen water** by bypassing the meter; seek indictments through the court system

Billing and Collections Action Plan

- **Evaluate the possibility of turning over delinquent accounts to a collection agency**
- **Reconcile all apartment complex accounts to resolve past billing errors and ensure accurate current bills**

Apartment Complex

Problems Encountered:

- Encoder Receiver Transmitters (ERTS) not associated with an active account
- Old cubic ft. meters (not equipped with ERTS) not being read at all (unknown to the system)
- More than one account has the same ERT code which results in a “zero read”
- Incorrect address associated with account so bill does not go to current customer
- Connection fee paid; meter installed; but no account set up in the system, so no bill is created

Apartment Account Resolution Team

- Roland Savage CPA (Account Temps)
804-733-2355
- Alen Hasic (Account Temps)
- Callen Larus (Account Temps)
- Chaquesha Cooper (Account Temps)
- Garret Vanvoorhes (Petersburg IT Manager)
- Janell Sinclair (Petersburg Billing Manager)
- Emmanuel Adediran (Interim Public Works Director)
- Jerry Byerly (Petersburg Director of Utilities)

Transparency

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

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