

The Robert Bobb Group, LLC

Contract for the City of Petersburg Emergency Financial & Operational Restructuring Phase 2 Duration: March 26, 2017 – June 30, 2017

Report on Completion of Phase 2 Contract Deliverables

Introduction

In October 2016, the City of Petersburg contracted with The Robert Bobb Group, LLC (“RBG”) to conduct an emergency financial and operational turnaround and restructuring effort. The City of Petersburg (the “City”) contracted with RBG effective October 25, 2016 through March 25, 2017, using an emergency procurement process. The emergency procurement was pursuant to Section 2-293 of the Code of Petersburg and Section 2.2-403F “Emergency Procurement” of the Virginia State Code. **This initial contract period is Phase 1.**

In March 2017, Petersburg City Council requested an extension of RBG services. RBG produced Statements of Work for Phase 2 (to extend work until the end of FY2017 on June 30th) and Phase 3 (to transition to new City leadership in Q1 FY2018, July 1st – September 30th). **The duration for Phase 2 is March 26, 2017 – June 30, 2017. The duration for Phase 3 is July 1, 2017 – September 30, 2017.** In March 2017, Council approved the extension of RBG services for Phases 2 and 3 ending September 30, 2017.

This document describes the completion of each contractually required service for Phase 2. While Phase 2 began with fifteen (15) major services, RBG ultimately delivered twenty-four (24) major services supporting the City’s ongoing financial and operational restructuring.

Background

Since RBG began working in Petersburg on October 25, 2016, our response strategy has focused consistently on three strategic themes. These themes established our framework for our financial turnaround activities since October 2016 and correspond to our three phase period of work in Petersburg.

Strategic Theme 1: Short Term Financing and Emergency Response

In Phase 1 (October 25, 2016 – March 25, 2016), RBG collaborated with the Virginia Governor’s Office and the City’s financial and legal advisors to solve the immediate fiscal crisis. We communicated our management strategy and project plan to the Capital Markets. RBG successfully obtained the urgently needed \$6.5M Revenue Anticipation Note (RAN). As a result, the City barely avoided missing Payroll by using the RAN in November 2016 and December 2016. In addition, the RAN was used to pay a \$1.3 million settlement for a lawsuit with the South-Central Waste Water Authority based on City non payments. By solving the urgent cash

shortage, we then focused on stabilizing an unbalanced FY 2017 budget, addressing critical staff shortages in the finance department, and addressing the backlog of unpaid vendor payments.

Strategic Theme 2: Balance the FY 2017 Budget, Jointly Develop a Structurally Balanced FY 2018 Budget, and establish a plan for Long Term Financing

We carefully reviewed The PFM Group's 13 Recommendations that supported the development and approval of the 1st Amendment to the FY2017 Budget. Based on RBG analysis of current financial data for Budget vs. Actuals, updated Revenue forecasts, updated Expenditures reports, and Monthly Cash Flows, we realized a 2nd Amendment to the FY2017 Budget was needed to balance the FY2017 Budget. We presented our findings and recommendations to Council and Council approved our 2nd Amendment to the FY2017 Budget. As a result, we closed FY2017 on June 30, 2017 with the first structurally balanced budget since 2009.

We conducted eight working sessions with City Council to jointly develop the FY2018 Budget. The FY2018 Budget is the first structurally balanced budget since FY 2009 marking a financial milestone for the City. Incorporated into RBG's plan, a debt restructuring that, if successful would yield budgetary savings. As a result of RBG's efforts to stabilize the City's bond rating, the debt restructuring yielded over \$2.0 million in budgetary savings provided even greater budgetary flexibility as these savings were not accounted for in the FY 2018 budget.

The completion of the Five-Year Financial Action Plan puts forward the key financial and policy decisions that City leadership will need to continue to move forward.

Strategic Theme 3: Technology, Data, Process & Procedures and Training

Our approach in Phase 3 (July 1, 2017 – September 30, 2017) is to develop and leave behind key elements for long term financial stability. This includes Standard Operating Procedures (SOPs) that are relevant and feasible for staff to sustain long term, training for departmental leaders, executive coaching for City Leaders (including City Council). In Phase 3, RBG focused on documenting the current state of the Billings and Collections operations with an operational blueprint to redesign the office under the new proposed City Collector. We focused on the smooth transition and hand off of knowledge and data to the new City Administration with particular focus on finance and public works. We conducted deep dive reviews of the operations and processes of the City Treasurer and the Revenue Commissioner to improve billing and collections. We successfully onboarded and provided executive coaching to the new City Manager and new Chief Financial Officer. Finally, we completed the Forensic Audit and hired the outsourced Internal Auditor.

RBG Team

As Project Executive Robert Bobb declared to City Council during RBG's first report on 11/1/16: *"The Fiscal House Was on Fire."*

The RBG team consists of Robert Bobb (Project Executive), Patrick Bobb (Quality Control Executive), Tom Tyrrell (Interim City Manager), Nelsie Birch (Interim Deputy City Manager & Finance Director), Bill Slover (Real Estate Expert), and Dileep Rajan (Data Analytics).

In each of our Phase 2 reports to Council, from 4/4/17 to 6/20/17, we showed an updated RBG Project Plan indicating what was completed (colored in “Green”) and what is in progress (colored in “Yellow”). Each activity represents a significant piece of work with a tangible deliverable, work product or outcome designed to close out FY 2017 with a balanced FY 2017 budget, complete the CAFR and Forensic Audit, stabilize financial operations with Standard Operating Procedures (SOPs) and financial controls, and implement a plan for long term financing.

We are pleased to show that we completed each deliverable for Phase 2. From the first activity to the last activity, we have executed our commitment to restructuring the City’s Finances and Operations in specific and measurable ways.

The original RBG Phase 2 Proposal approved by Council included the following list of fifteen (15) deliverables. This is the original scope of work and posted on the City’s website: <http://www.petersburgva.gov/DocumentCenter/View/2679>.

RBG PHASE 2 DELIVERABLES – WHAT WE CONTRACTED

RBG Extension – City of Petersburg Financial Emergency Turnaround – Key Project Activities
PHASE 2: MARCH 25, 2017 – JUNE 30, 2017
<ol style="list-style-type: none">1. Implement the Long Term Debt Restructuring Plan2. Develop plan to pay of current RAN3. Complete and Implement FY 18 Budget Proposal4. Develop Water Utility Repair Plan (e.g., PPEA)5. Manage and Report findings for Forensic Audit6. Complete FY16 CAFR by July 20177. Complete Executive Search Firm hiring by July 20178. Implement new Real Estate Sale Process & realize revenue9. Implement Workforce Reorganization10. Optimize City Technologies for data and reporting11. Create repeatable data & reporting for Financial Reports12. Develop and Execute Policies for Controls and Reporting13. Develop Standard Operating Procedures (SOPs)14. Manage and Measure Financial and Purchasing Policies15. Provide Executive Coaching to New Hires

In addition to these fifteen deliverables, RBG identified the need for and completed an additional ten (10) for a total of twenty-five (25) deliverables representing major pieces of work for the City. We completed this work within the original budget and on schedule.

RBG PHASE 2 DELIVERABLES – WHAT WE DELIVERED

1. Implement the Long-Term Debt Restructuring Plan	14. Manage and Measure Financial and Purchasing Policies
2. Develop plan to pay off current 2017 Revenue Anticipation Note (RAN)	15. Provide Executive Coaching to New Hires
3. Complete and Implement the FY 2018 Budget Proposal	16. Finalize Recruitment of the CFO
4. Develop Water Utility Repair Plan	17. Complete Financing for Police & Fire Vehicles
5. Manage and Report findings for Forensic Audit	18. Submitted Proposal to State for Funding Assistance for RBG Contract Extensions
6. Complete FY16 CAFR by July 2017	19. Develop the Plan for Pre-Audit Work for FY17.
7. Complete Executive Search Firm hiring by July 2017	20. Initiated New Billing and Collections Process and Begin Collecting Delinquent Revenues
8. Implement New Real Estate Sale Process & Realize Revenue	21. Conduct a Comprehensive Assessment of the Utility Billing Processes
9. Implement Workforce Reorganization	22. Evaluate Utilities Meter Reading and Billing Technologies
10. Optimize City technologies for data and reporting	23. Evaluate Johnson Controls contract with Forensic Audit Team
11. Create Repeatable Data & Reporting for Financial Reports	24. Manage a Successful Presentation to Standard & Poor’s in Petersburg on July 14th
12. Develop and Execute Policies for Controls and Reporting	
13. Develop Standard Operating Procedures	

All presentations are available on the City’s website:
<http://www.petersburgva.gov/index.aspx?NID=846>

Completion of RBG Contract and Description of Deliverables

The effective duration of the contract extension between the City and RBG is March 26, 2017 through September 30, 2017. This report describes the completion of deliverables included in our Phase 2 proposal to Council. Phase 2 initially listed 15 deliverables. RBG completed 24

deliverables. The deliverables are listed below along with detailed descriptions of the completion of each service.

1. Implement the Long-Term Debt Restructuring Plan

We developed a plan to restructure the long-term debt based on a strategy like “refinancing one’s home mortgage” resulting in a reduced interest rate to the City, which translates to a reduced Debt Service payment annually, freeing up cash that can bolster the General Fund balance. The reduced debt service payments annually based on RBG’s long term debt restructuring plan is \$2.2 million approximately. We were also able to fund the fire and police emergency vehicles and remedy one finding in the CAFR due to the restructuring of the stormwater bonds.

2. Develop plan to pay off current 2017 Revenue Anticipation Note (RAN)

We allocated sufficient monthly debt service payments to complete payment of the \$6.5M RAN by October 2017. The current RAN will be paid off by its due date which also supports our potential request for another RAN this year.

3. Complete and Implement the FY 2018 Budget Proposal

A Budget is the only document that lists the stated priorities of a City. It also incorporates compromises from all involved. We are pleased to report we successfully created and received City Council approval for the FY2018 Budget effective July 1, 2017 – June 30, 2017. We worked closely with Council and communicated our Budget Calendar early and often. The process was transparent and interactive and included **8 Public Sessions held with City Council (6 Working Sessions and 2 with City Council).** We also developed a budget that had conservative revenue assumptions and aggressive expenditure assumptions. Both of these actions should create a sizable surplus in FY 2018, as long as the budget is effectively managed.

4. Develop Water Utility Repair Plan (e.g., PPEA)

The RBG team developed a set of alternatives and recommendations. This work was completed in coordination with CH2M as the Water Rate Consultants, Davenport Financial and Timmons Engineering. We presented a matrix of decision criteria and alternatives to manage the aging water and sewer utility infrastructure at multiple Council sessions. We presented a final review of options and the state of the Utility in the July Council Session. In our presentation, we included the comprehensive set of recommendations from the Severn Trent Final Report received in end July 2017.

RBG presented its Action Plan for implementing the Severn Trent report recommendations to Council during its July 31, 2017 presentation. Contained on pages 32-43, we presented a comprehensive set of actions to address each of the report's recommendations. The key areas of focus include ensuring each staff member is a "power user" of AS400 (e.g., can run multiple types of data queries and respond to customers), business processes for billing, delinquent accounts, cut offs and technologies for simplifying manual spreadsheet work. In our Transition Plan for the new Collector Office, we recommend policies for Utility Billing staff training in AS400, for meter reading, billing, generating cut off reports, generating delinquent reports, tracking outstanding collections and managing customer accounts.

In addition, we are pleased to report we successfully created and received City Council approval for the FY2018 Capital Budget and 5-Year Capital Improvement Program. The Proposed Capital Budget acknowledges that issuing new General Fund-supported debt at is neither prudent nor realistic. Fiscal Year 2018 will be a year to further stabilize the City's finances.

Accordingly, the Proposed Capital Budget does not include any new debt-financed projects other than Utility capital projects, which will be financed primarily through previously allocated bond financings of the Virginia Resources Authority (VRA).

The Utility CIP includes \$52.5M in infrastructure projects recommended by Timmons and is contingent on the City's ability to issue ratepayer supported revenue bonds, which is very uncertain at this time. Timmons had recommended that FY2018 include approximately \$12M in projects. However, the Capital Budget only includes about half of that amount (\$6.0 million) due to the City's financial situation which limits access to capital markets.

5. Manage and Report findings for Forensic Audit

The Forensic Audit was contracted to the firm of Artifice Forensic Financial Services, LLC in May 2017. This firm was selected after a national search process resulted in six highly qualified firms competing for the work. The Forensic Audit Scope includes:

- 1) Payroll and Accounts Payable – Duplicate Payment of Employees and Vendors;
- 2) City issued Credit Cards to Include Purchasing and Travel Cards – Employee use/abuse as well as determining if cards are being used for personal gain and if cards are being used during unusual hours of the day;
- 3) Cash Management at the Point of Entry, including an inventory of points of entry;
- 4) Review of all City owned checking accounts;

- 5) Bank Reconciliation process and weaknesses;
- 6) Appropriateness of Tax Assessments, Tax Abatements and Tax Credits, and Write-Off's provided to individuals, for all taxes. Whether the individuals who had the authority to approve these decisions were performing in the best interest of the City and with consistency;
- 7) Fuel usage – Frequency of use by individuals for possible abuse;
- 8) Water and Waste Water Billing and Collections and the appropriateness of credits, waivers, and payment plans provided to individuals. If the individuals who had the authority to approve these decisions performing in the best interest of the City and with consistency.

The Forensic Audit report was completed by PB Mares, LLC in mid-September 2017 and sent to the Mayor, Members of Council, the City Manager and the City Attorney on September 26, 2017.

6. Complete FY16 CAFR by July 2017

The City's auditing firm Robinson, Farmer, Cox Associates (RFCA) completed the FY2016 Comprehensive Annual Financial Report (CAFR) in late May 2017. RBG and RFCA presented a joint presentation on the key findings of the FY2016 CAFR to City Council and the public on June 20, 2017. This presentation was over one hour long in contrast to the ten minutes allotted for the presentation of the FY2015 CAFR.

Among the key findings, there is one we choose to emphasize in this report. Namely, the City's Unassigned Fund Balance is a NEGATIVE \$7.7 Million. The City needs \$7.7 Million just to achieve a zero (\$0) Unassigned Fund Balance. The Unassigned Fund Balance is a City's "rainy day" fund. By comparison, the City of Danville in Virginia (with population of 42,000) has an Unassigned Fund Balance of \$36.9 Million.¹

7. Complete Executive Search Firm hiring by July 2017

The City's executive search was completed by July 2017. The new City Manager, Mrs. Aretha Ferrell-Benavides, began work on July 10th. The new Finance Director Blake Rane began work on July 10th. The new Fire Chief Dennis Rubin and Transit Director Charles L. Koonce, Jr. began work in May. The new Police Chief began work in July.

8. Implement New Real Estate Sale Process & Realize Revenue

Working jointly with the Planning and Economic Development team, RBG redesigned the real estate process to bring appropriately vetted deals to City Council for their

¹ FY2016 CAFR for the City of Danville, Exhibit 3, page 7: <http://www.danville-va.gov/ArchiveCenter/ViewFile/Item/1994>

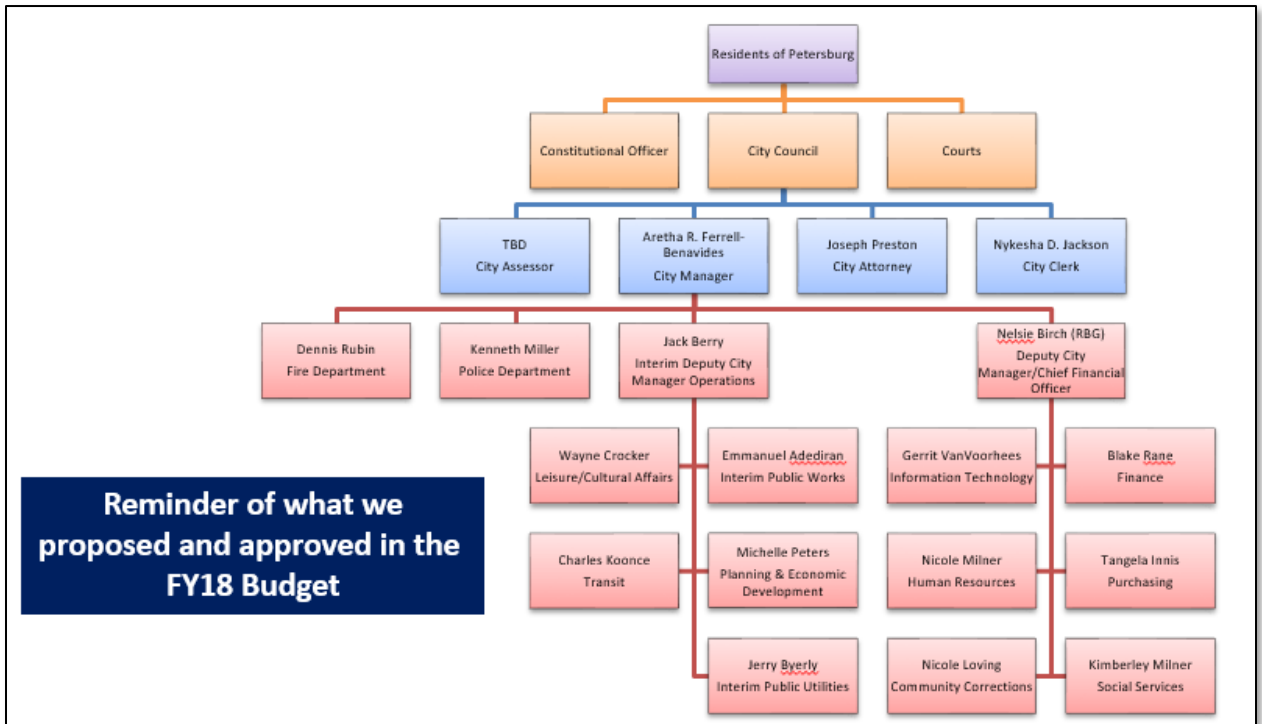
review and approval. In past practice, deals presented by developers would languish without decision by management or Council. The new process provides deeper review and negotiation by the Planning and Economic Development staff and, if applicable, the City’s procured real estate agent (ReMax), before presentation to Council. The Real Estate Process has been implemented and there are properties identified to sell through an accelerated sale process in collaboration with the City’s real estate partner ReMax and the Richmond auction house Motleys.

9. Implement Workforce Reorganization

RBG conducted multiple review sessions on organizational design with the new City Manager in July, August and September. With the design and proposal of the FY18 Budget, RBG created a new org chart for City government and administration. Following a review, the new City Manager redesigned the org chart to move Utility Billing under the finance department, created a new Deputy City Manager for Community Affairs, and elevated the newly hired Finance Director to the Chief Financial Officer role.

The first organization chart is a reminder of what RBG proposed and received approval on from Council in the FY 2018 Budget.

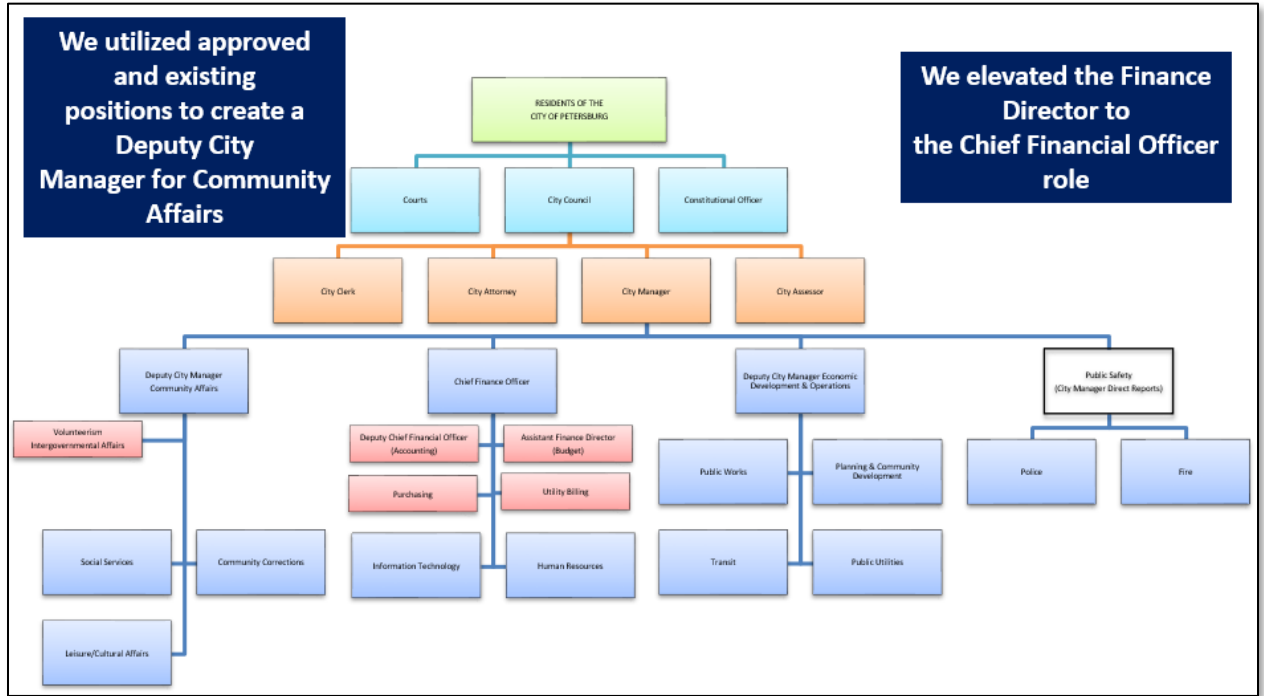
FY 2018 Organization Chart Approved by Council



Reminder of what we proposed and approved in the FY18 Budget

The next organization chart was updated to create the Deputy City Manager for Community Affairs based on the City Manager’s decision.

FY 2018 Organization Chart Updated by the New City Manager



10. Optimize City technologies for data and reporting

RBG focused on three major technology initiatives while also recommending a full transition away from the current AS400 technology platform. These initiatives included:

- 1. Implementing OpenGov** for building annual budgets (the FY 2018 Budget was entirely completed using OpenGov), monthly financial reporting to Council, and financial transparency to the public. City decided to enhance OpenGov’s capabilities. Specifically, the City will implement additional tools for Monthly Financial Reporting such as automating the data transfer between Bright/AS-400 and OpenGov, developing the annual Comprehensive Annual Financial Report (CAFR) due in November of each year, and the Budget Book developing annually in Spring.
- 2. Implementing CityWorks** for Utilities after receiving Council approval for \$19,675 in VRA technology funds included the entire update of the City’s

Geographic Information System (GIS) and developing the work order management process flows in the software. Training for Utilities staff was conducted in June 2017 and Timmons Engineering is updating the City's software configuration for Utilities. The Timmons Engineering will manage the hosting for the GIS system and CityWorks. The value in using CityWorks is that the entire work order process will be automated: whether a customer requests a new account, or a meter reader requests a meter repair, or whether a public works technician request a pipe repair. GIS is due to be updated by September 30th and the CityWorks configuration completed by October 15th.

3. **Planning the redesign of the City's website** with CivicPlus. The new website is scheduled to launch by January 2018.

11. Create Repeatable Data & Reporting for Financial Reports

We began monthly financial reporting to City Council in March 2017. We created a standard process utilizing data from Bright/AS-400 to create the following reports: Monthly Budget to Actuals, Monthly Cash Flow, Monthly Accounts Payable. OpenGov utilizes data from Bright/AS-400 and one of our upcoming technology projects is to automate financial data transfer from Bright/AS-400 to OpenGov.

The process is:

1. Upload Chart of Accounts from AS400 into OpenGov on the 10th of each month. Today this is a manual process consisting of a spreadsheet (CSV file) exported out of AS400 and then uploaded into OpenGov's cloud based platform.
2. Finance staff logs in to the OpenGov transparency module
3. Finance staff creates reports for "Budget vs. Actual" and "Monthly Cash Flows."

We provided a detailed overview to the new Finance Director Blake Rane and Interim Assistant Finance Director Amanda Phillips who initially managed monthly financial reporting. Assistant Finance Director Robert Floyd will manage monthly financial reporting beginning in September.

12. Develop and Execute Policies for Controls and Reporting

A key policy for Financial Reporting concerns modifications to the General Ledger or Chart of Accounts (CoA). RBG restructured the GL and the City's IT Director is currently working with OpenGov to import the newly redesigned CoA in OpenGov. This is a critical development effort. RBG removed over 700+ Expense and Revenue codes that had been created ad-hoc over the years. Ensuring that creating account codes does not

occur without formal Finance Director sign off is critical to managing the flow of data up to OpenGov. Once OpenGov's layout of the City's Chart of Accounts is updated, monthly data transfers for reporting will be seamless. Additionally, the streamlined reporting of codes across all departments will allow for greater analytics for the cost of service (e.g. fuel usage).

13. Develop Standard Operating Procedures (SOPs)

We completed Standard Operating Procedures for Finance:

- a. SOP for Budget Transfer
- b. SOP for Contract Review, Routing & Electronic Transfer
- c. SOP for Payroll Procedures
- d. SOP for Updating the General Ledger
- e. SOP for Purchase Order Process
- f. SOP for Purchasing Bid List Management
- g. SOP for RFP Work Process
- h. SOP for VOID Check

These are available in the Dropbox folder titled "Standard Operating Procedures for Finance."

Standard Operating Procedures (SOPs) were created for the following processes:

- **SOP for Editing the General Ledger:** The City utilizes a Chart of Accounts (COA) to process and track transactions in accordance with the requirements of the Auditor of Public Accounts. Periodically the City will need to add, delete, or rename accounts to its General Ledger COA in order to capture appropriately the transactions and administer the Annual Budget of the City. The following procedures are to be applied to COA edits to support appropriate General Ledger control, financial management and reporting.

Add in the two letters we sent to treasurer and commissioner of revenue and all the work Anne did document recommended improvements to their processes (remember those several hour meetings we had)

14. Manage and Measure Financial and Purchasing Policies

The City implemented new financial policies with the adoption of the FY18 budget. We are assisting with the transition to the new Finance Director, who will be elevated to the Chief Financial Officer role, and providing the background and rationale for these new policies. RBG identified critical and essential policies for managing financial operations that previously, because they were nonexistent or unenforced, led to financial mismanagement.

RBG developed and implemented three fundamental financial policies for:

1. A Requisition Process for Purchase Orders that required identifying available funds in the correct General Ledger code before issuing a Purchase Order
2. An Accounts Payable Process to manage vendor payments within 30 days. A new email address (ap@petersburg-va.org) was created in which all members of Finance receive an email. The scope includes questions about an outstanding invoice or any vendor research.
3. An Accounts Receivable Process to manage outstanding receivables owed to the City on a daily basis.

These policies are stored in the City's DropBox.

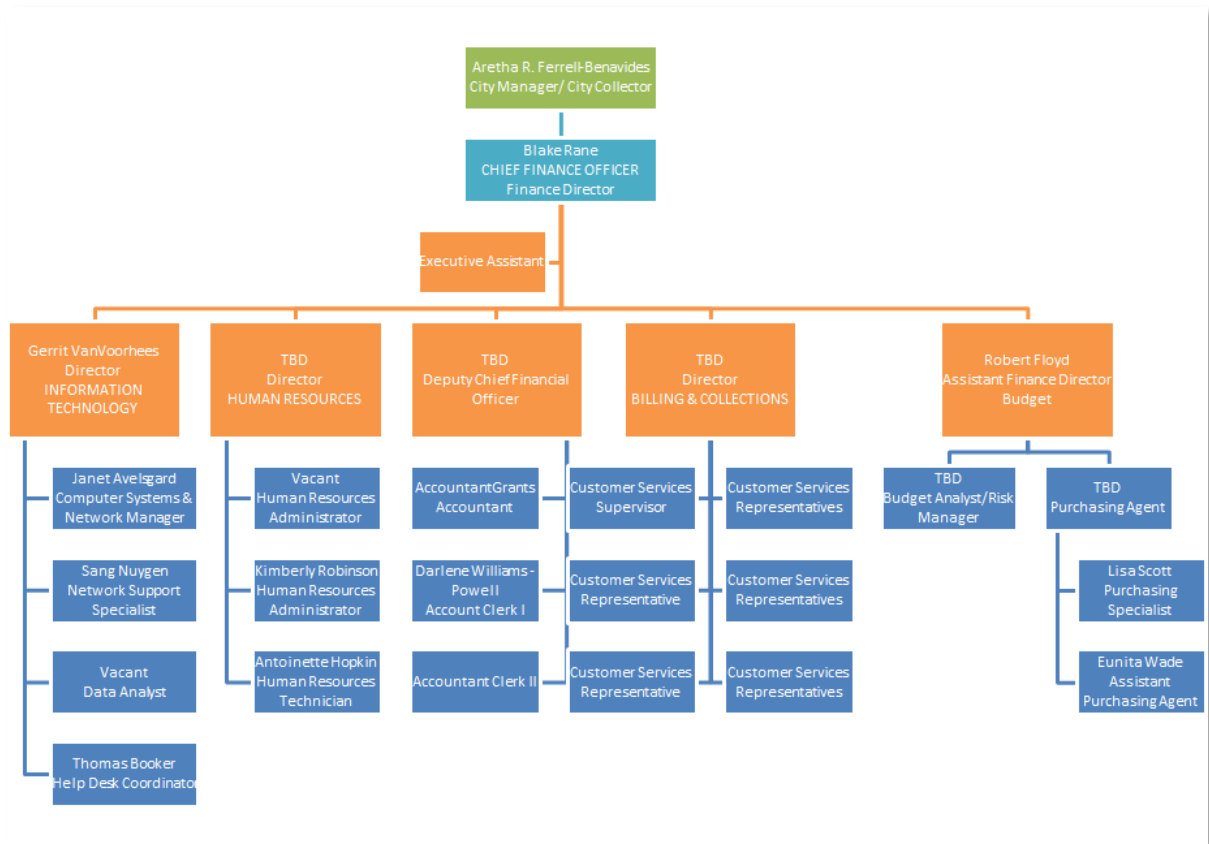
15. Provide Executive Coaching to New Hires

Since the onboarding of the new Fire Chief, new Police Chief, new Transit Director, new Finance Director and new City Manager, RBG staff have provided management consulting services to provide a sustainable transition to new City leadership. This has included current and target state discussions on Utilities billing, Economic Development, Finance, technology issues, and Fire Department key priority and project reviews.

Beginning with the new City Manager's hiring and start date in July 2017, RBG conducted weekly meetings in July, portions of August and again weekly in September. A series of structured deep dive reviews with each department was conducted while Interim City Manager Tom Tyrrell was still present in July.

16. Finalize Recruitment of the CFO

The new City Manager, Aretha Ferrell-Benavides, took the lead on this hiring and in mid-July decided to elevate the new Finance Director Blake Rane to the CFO role. The org chart was also redesigned as shown in this org chart presented to City Council during its September 5, 2017 meeting.



17. Complete Financing for Police & Fire Vehicles

The City has a critical need for new police and fire vehicles. Some public safety vehicles have over 100,000 miles or over ten years old – not the vehicles you want first responders using in an emergency. Due to the City’s downgraded credit rating by Standard and Poor’s (S&P), the City continues to face difficulty in accessing the credit markets. As a result, the City turned to alternative forms of financing such as private placement. Wealthy individuals offered various terms for privately funding public safety vehicles. Ultimately, this funding was sourced through a general bond refinancing. The bonds closed in mid-August.

18. Submitted Proposal to State for Funding Assistance for RBG Contract Extensions

RBG worked closely with Virginia Finance Secretary Ric Brown’s office to develop and finalize state funding request against a state budgeted appropriation of \$500,000. The state funding request was designed as a “menu” with services and costs previously paid for by the City with the exception of the RBG option to conduct a performance assessment in April 2018. The funding request focused on transformation services such

as Pre-Audit services, and executive coaching for City Council. Funds in the amount of \$420,210 were wired to the City in the last week of August.

List of Services and Pricing Selected for Funding by the State (August 2017)

1	To Be Completed/Appropriated: April 2018 Performance Review by the Robert Bobb Group (FY 2018)	\$50,000.00
2	To Be Completed/Appropriated: Executive Training for City Council (FY 2018)	\$25,000.00
3	Executive Coaching, SOP development, technology infrastructure policy and procedure improvements performed by the Robert Bobb Group (FY 2018)	\$50,000.00
4	Water and Wastewater Infrastructure Development Plan/Rate Study by the Robert Bobb Group, Davenport and CH2M (FY 2017)	\$100,000.00
5	VML/VACO Finance Pre-Audit Work for FY 2017 (FY 2018)	\$90,000.00
6	Finance Policy and Procedure Review/Chart of Accounts Revamp by Anne Seward Consulting via Davenport (FY 2017)	\$46,025.00
7	VML/VACO Finance Pre-Audit Work for FY 2016 (FY 2017)	\$20,000.00
8	City Works Implementation (FY 2018)	\$19,675.00
9	FY 2018 Budget Development by Alineo Group via Davenport (FY 2017)	\$15,000.00
10	Budget Analyst/Rating Agency Preparation/Cash Flow/Budget Projections by the Robert Bobb Group (FY 2017)	\$4,510.00

19. Develop the Plan for Pre-Audit Work for FY17.

The plan for the Pre-Audit work for FY 2017 was completed and available in Dropbox.

20. Initiated New Billing and Collections Process and Begin Collecting Delinquent Revenues

The Water Utility Billing team created a “SWAT” team that has improved collection rates above the current steady state rate of approximately 70%. This includes a focus on apartment complexes which we have observed issues with meter set up and no account billing. The team is going after delinquent revenues. However, these are manual, ad-hoc methods that are not sustainable. To create a holistic strategic turnaround plan for Utility Billing, we issued an RFP that produced 4 responses on 7/28 which we deem

inadequate to addressing the City's needs. We have reviewed the Severn Trent report and created an Action Plan for implementation. Each Action Item will be assigned an owner and estimated timeframe for completion. We continue to maintain that the City requires outside expert assistance to turnaround Utility Billing and manage the technology changes required to improved Billing operations.

21. Conduct a Comprehensive Assessment of the Utility Billing Processes

In May 2017, RBG brought in Severn Trent who conducted an on-site assessment of the Utility Department's Billing Process and Procedures. Severn Trent produced their final report which Jack Berry presented to City Council on July 31st. The report included 100+ recommendations for improvement impacting Billing Process and Collections. Some of the key findings that can be addressed with moderate difficulty but will create significant operational improvement:

- a. "Billing staff cannot run a report to see the total amount outstanding that is setup on a payment agreement."
- b. "Compound Meters are not setup in the billing system to automatically calculate consumption in an efficient manner. The current process is manual and increases the chances of errors."
- c. "Data validation: the system lacks the ability to validate the mailing addresses in the system. There is no process in place for returned mail."
- d. "The management team does not have the capability to run reports and track metrics on missed calls, wrap time, drop calls, or compile any data to monitor the performance of the staff responsible for customer service."
- e. "The website is missing information that could reduce the number of phone calls to Customer Service."
- f. "There is no meter reading schedule to ensure that customers are billed on an average 30 day billing cycle. This results to inconsistent monthly cash flow."

- g. “The total amount of \$6,388,488.97 remains on the receivables as unpaid. In addition, there is a large variance of \$1,481,790.77 on the balance sheet.”

22. Evaluate Utilities Meter Reading and Billing Technologies

RBG set up an internal team led by Jack Berry (Interim Deputy City Manager for Operations) and key City staff for technology and procurement and Utility Billing operations. The problem of Utility billing and meter reading is complex yet essentially can be identified within two categories: (1) missing or inaccurate commercial meter readings, and (2) incomplete or inaccurate integration between AS-400 BAI Billing software and consumption transmissions from the meters

The City currently has Automatic Meter Reading (“AMR”) technology based on the Johnson Controls contract. The software used is MV-RS (Multi-Vendor Reading System). This Itron’s PC-based meter reading software for electric, gas and water utilities. Itron meter reading software runs on Neptune meters installed in 10,000+ residential meters during the Johnson Controls implementation. The problem with this implementation is that the higher revenue generating commercial meters – approximately 1,100+ commercial meters in Petersburg – were not switched out resulting in no or inaccurate meter readings. As a result, the City is potentially losing \$250,000-\$500,000 in monthly Utility billing revenue.

We reviewed leading meter reading technologies and compared Advanced Metering Infrastructure (“AMI”) with the current AMR system. AMI systems utilize antennas (on cell towers, water tanks, tall buildings) located in high density areas with MTUs (Meter Transmission Units). Aclara is a national leader in AMI technology. Aclara sent the City a proposal that would correct or replace all 1,100+ commercial meters (the revenue generating “cash registers”), integrate with the City’s Utility billing system, and provide monthly revenues within 3 months. To compare against what the City has currently, we conducted a deep dive review session with Itron – the company that was contracted with JCI to install the residential meters. Itron stated they would need to conduct an onsite assessment with cost to determine the feasibility of switching to an AMI system. (Note: Aclara conducted a 1 day onsite assessment for Petersburg’s AMI feasibility at no charge in May.) No further action was taken with respect to Aclara and Itron. A decision was made to lay out the facts we gathered along with recommendations for action to the next City Manager.

23. Evaluate Johnson Controls contract with Forensic Audit Team

The Forensic Audit team briefed RBG on its initial findings with respect to the Johnson Controls contract. The Forensic Audit team will publish its final detailed report by September 2017. However, in our debrief, the Forensic Audit team cited

“mismanagement” as one of the primary causes of the failure to achieve City outcomes for a successful meter implementation and billing integration with the City’s financial system AS-400.

24. Manage a Successful Presentation to Standard & Poor’s in Petersburg on July 14th

The Standard & Poor’s Rating Agency visited Petersburg on July 14th. The day began with a 2-hour bus tour led by the Director of Planning & Economic Development, Michelle Peters. RBG led the financial review of the City with the assistance of the City’s Financial Advisors, Davenport & Company. The Ratings agency released their report in August 2017. Standard & Poor’s revised its outlook on Petersburg, Virginia’s general obligation (GO) bonds to stable from negative. This positive change in the City’s credit rating reflects the critical steps Petersburg’s leadership has taken toward its financial recovery in the last 17 months. S&P noted: “In our view, the interim management team has been successful in achieving its goals and rectifying a number of longstanding financial and internal control problems issues.”