



City of Grand Island

Tuesday, May 26, 2015

Council Session

Item I-1

#2015-131 - Consideration of Approving Amendment to Finance Personnel FTE Budget Allocation

Staff Contact: William Clingman, Interim Finance Director

Council Agenda Memo

From: William Clingman, Interim Finance Director

Meeting: May 26, 2015

Subject: Approving Amendment to Finance Personnel FTE
Budget Allocation

Item #'s: I-1

Presenter(s): William Clingman, Interim Finance Director

Background

The Finance Department for the City of Grand Island is responsible for all accounting and finance functions throughout the City. In 1996 the department had an FTE count of 31 (excluding the IT department) and currently the department has an FTE count of 25.25 (excluding the IT department). Some of this reduction can be tied to the achievement of greater efficiencies within the department. For example, moving from manual general ledger journal entries to a financial software package that allows for entry and tracking of these electronically. Other reductions were primarily a consequence of budget constraints placed on the City during the mid to late 2000's. These reductions are primarily impacting the department with inadequately consistent coverage for all the responsibilities of the Finance Department. The secondary consequences are low morale and lower productivity within the department. Finally, it is preventing the department from utilizing everybody to the best of their abilities.

Discussion

The first goal of reorganization is to structure the department in a manner that will, in conjunction with the construction of and relocation to a proposed new Utility Customer Service Center, allow the Finance Department to better serve customers. The second goal of reorganizing the Finance Department is to achieve an adequate staffing level. This would ensure constant coverage of duties and reduce the frequency at which overtime occurs. Finally, it will normalize the work schedule for staff and provide better work/life balance.

A building is currently being evaluated for construction at the corner of Sycamore St. and 1st St. (see attached renderings). This has gone out for RFP to find an architect for the project. Subject to Council approval, once plans have been completed, the project will go out as a bid for construction. This new building is a long term solution to the problem that has existed for several years now when paying Utility bills at City Hall. The Finance

windows at City Hall are not properly situated to accommodate customers in the best manner possible and parking at City Hall is insufficient for customers who wish to pay their bills in person. This new building will not only offer walk-in service for paying bills, but will also include a drive-thru area for paying bills. Customer service will also be located in this building in order to immediately address customer concerns in person. Finally, the new building will offer ample parking in order to accommodate the busier days, which City Hall simply cannot accommodate right now. Overall, this new building will help to serve customers more efficiently and effectively when they come pay their utility bills. As this new facility will support Utilities financial and customer service operations, it is proposed that the costs be funded by the Utilities Department.

The Utility Customer Service Center will be the final step in not only improving the external customer experience, but also improving the internal operations of the Finance Department. A couple changes have been made to existing FTEs to start this process. The first change was shifting 1 FTE to support payroll. Payroll has been the responsibility of one person. A growing City, new regulations and expansion of unions drove the decision to move 1 FTE over to create a payroll “department.” This also brings stability to payroll and reduces the risk of having only 1 person within the Finance Department familiar with the entire payroll process.

The second change occurred recently. When the outsourcing of ambulance billing was approved it made available 1 Accounting Clerk FTE that was exclusively dedicated to ambulance billing (the position is also currently vacant). The job duties were revised and that Accounting Clerk FTE was advertised and will be filled to assist with the Utility billing duties. These duties are currently performed by 1 individual and this workload has continued to increase as the Utility customer base has increased. The addition of this person to the utility billing “team” will allow for billing group to also take over performance of the final billing process that the customer service team is currently performing. This will free up customer service to better assist customers in person or over the phone.

In order to achieve optimal staffing 2 new FTEs and 2 changes to existing FTEs are needed. This would also coincide with a restructuring of the department’s organizational chart. These FTEs and the restructuring would efficiently align responsibilities within the department and better utilize the skills of all staff within the department.

The first additional FTE would be a Customer Service Team Leader. The Customer Service Team Leader would directly manage the customer service team. With an expanding Utility customer base this will assist in proactively addressing problems as well as driving accountability for tasks within the customer service group. It will also give customers a point of contact for quick issue resolution. This person will also be ready to jump in to assist customers during the peak customer service times. Finally, the new positions will provide the needed secondary coverage for several duties within the operations group of the department.

The second FTE addition would be an Accountant. The new Accountant would be responsible for financial oversight of all funds outside of the electric and water funds, 520 and 525 respectively. The new Accountant would also manage a team whose

responsibilities cover items impacting every fund within the City, such as accounts payable or payroll. The 2 Accountants will also work to understand ALL accounting functions of the City, but will first be dedicated to their respective funds within the City.

Changes to 2 existing FTEs are also being proposed. These will assist to clarify and better align responsibilities within the department. The first change would be to add an Assistant Finance Director to the department by changing the classification, job duties and pay scale of the Senior Accountant. The department previously had an Assistant Finance Director, but the position was eliminated in 2002. This recommendation also comes from an analysis of other cities within our array used for comparison purposes. A majority of other cities have an Assistant Finance Director or a position that is equivalent. For the City of Grand Island this would address several ongoing issues, which are:

1. A clear position that can fill in for the Finance Director during any long term or short term absence.
2. Establish a clear chain of command within the department.
3. Place somebody in a position to exercise operational, or day to day, oversight of the Finance Department. This in turn would allow the Finance Director to focus on long term or “big picture” challenges, goals and ideas.

The other change is in the payroll group within the Finance Department. Currently the payroll group consists of a Payroll Specialist and an Accounting Clerk, who is dedicated primarily to payroll. The change would be to eliminate 1 Accounting Clerk FTE and create 1 Payroll Clerk FTE. This is to better clarify the duties of this individual and allow for easier comparability to other cities. As payroll positions are commonly defined separately from the generic “accounting clerk” positions.

Overall, these changes will also move the Finance Department towards consistent and accurate financial reporting. The addition of a new Accountant will allow the Accountant positions, the Finance Operations Supervisor, Assistant Finance Director and Finance Director to develop and implement an internal audit program for the City. This will serve to address the recommendation that the External Auditors for the City have been making for several years that an Internal Auditor position be created within the City. Although this isn’t specifically what they recommended, it will functionally create the same results; regular review and analysis of the procedures and controls within the City. These procedures will also create a review process for year-end adjustments to verify their accuracy and completeness, prior to the External Auditors coming on-site. Finally, our hope is to significantly decrease adjustments that will need to be made by the External Auditors to our yearly financial statements, especially when compared to the last several years.

The estimated costs of these FTE changes are detailed on the next page. The overall impact of these changes will be a reduction in overtime, elimination of temporary staff, increased productivity and a solid foundation within the Finance Department as the City continues to grow. Additionally, these positions were not originally budgeted for in the 2015 fiscal year; however, due to current and prior vacancies this year, the existing budget for personnel will accommodate these new positions for the remainder of 2015. It

will also have a minor impact on the overall cost to the General Fund, because of the cost sharing that occurs between Finance and the Utility funds.

	Additional Cost Estimate (Wages and Benefits)			
	2015		2016	
	Low	High	Low	High
Customer Service Team Leader	\$ 19,773	\$ 24,677	\$ 67,794	\$ 84,607
Accountant	\$ 22,252	\$ 29,096	\$ 76,293	\$ 99,756
Assistant Finance Director (Pay Scale Increase)*	\$ 4,435	\$ 4,435	\$ 13,303	\$ 13,303
Payroll Clerk (no change)	\$ -	\$ -	\$ -	\$ -
TOTAL	\$ 46,460	\$ 58,208	\$ 157,390	\$ 197,667

General Fund Cost	\$ 10,221	\$ 12,806	\$ 34,626	\$ 43,487
Utility Fund Cost	\$ 36,239	\$ 45,402	\$ 122,764	\$ 154,180

*Estimated actual based on increase at current step

Alternatives

It appears that the Council has the following alternatives concerning the issue at hand. The Council may:

1. Move to approve
2. Refer the issue to a Committee
3. Postpone the issue to a future date
4. Take no action on the issue

Recommendation

City Administration recommends that the Council approve this amendment to the Finance Personnel FTE Budget Allocation.

Sample Motion

Move to approve the amendment to the Finance Personnel FTE Budget Allocation with the addition of the Customer Service Team Leader and Accountant. As well as changing titles from Senior Accountant to Assistant Finance Director and moving one Accounting Clerk to the newly created Payroll Clerk FTE.

CITY OF

Grand Island

NEBRASKA

Proposed Finance Department Changes

5-26-2015

History




FY Ending 2002	31	-1 Assistant Finance Director + 1 Finance Controller
FY Ending 2003	31.58	+.58 Accounting Clerk
FY Ending 2004	31.08	-2 Accountants, +.50 Meter Reader, +1 Sr Accountant
FY Ending 2005	30.08	-1 Finance Controller, +1 Accountant, -1 Sr Accounting Clerk
FY Ending 2006	29.08	-1 Accounting Clerk
FY Ending 2007	28.08	-1 Accountant
FY Ending 2008	27.5	-.58 Accounting Clerk
FY Ending 2009	27	-.50 Meter Reader
FY Ending 2010	27	-1 Purchasing Technician, +1 Accounts Payable Clerk
FY Ending 2011	25.5	-1 Cashier, -.50 Meter Reader
FY Ending 2012	25.25	-.50 Meter Reader +.25 Finance Temporary Worker/Intern
FY Ending 2013	25.25	
FY Ending 2014	25.25	-1 Utility Service Manager, +1 Finance Operations Supervisor

Impact Today




- Inconsistent customer service levels
- Frequent overtime for staff
- Inflexible department
- Short term, reactive thinking

Long Term Goals

Excellent Customer Service

-  Utility Customer Service Center
-  Customer Service Team Leader
-  Use of technology

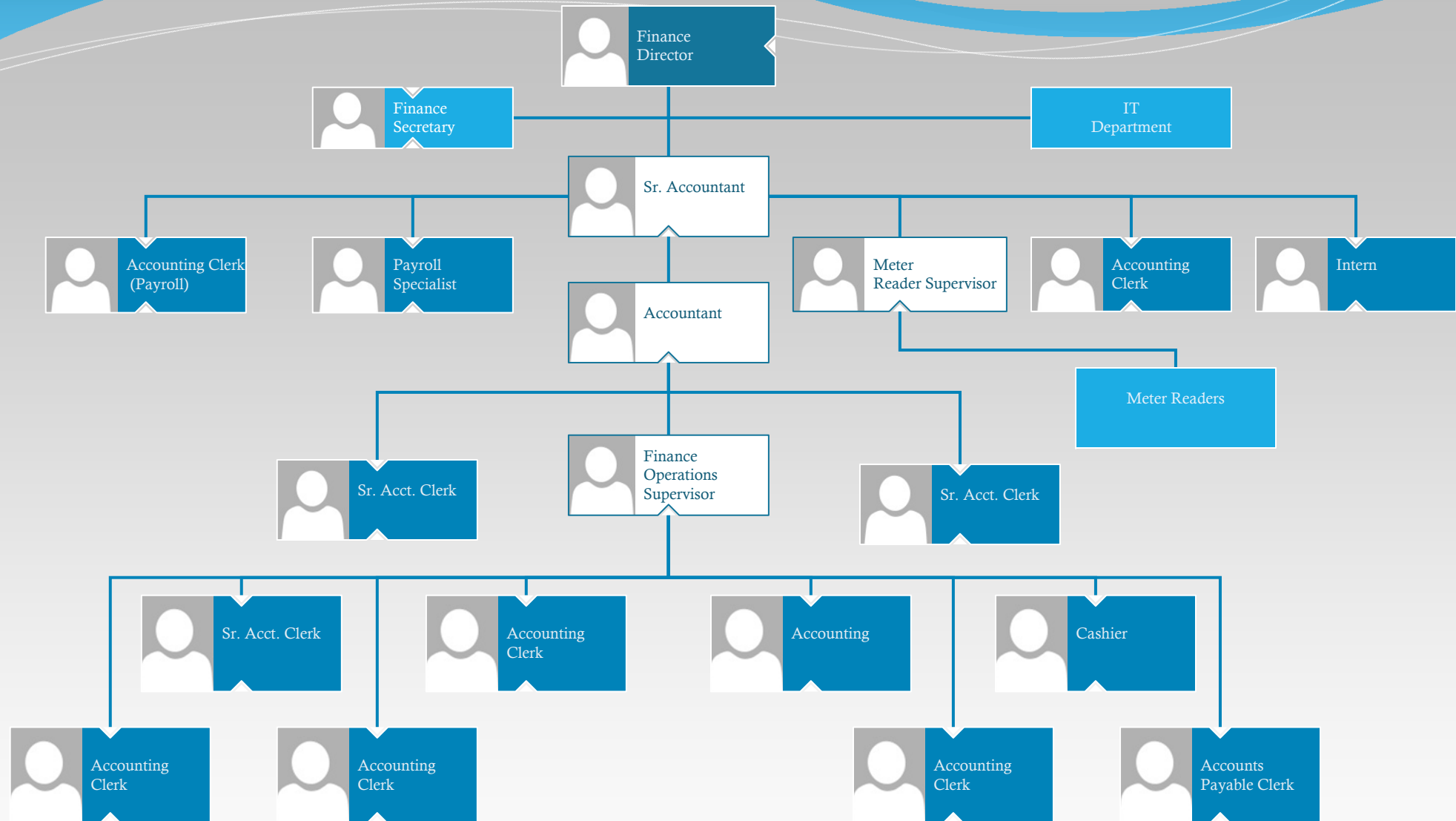
Consistent and Accurate Financial Reporting

-  Add an additional Accountant
-  Reintroduce Assistant Finance Director
-  Address External Auditors concerns

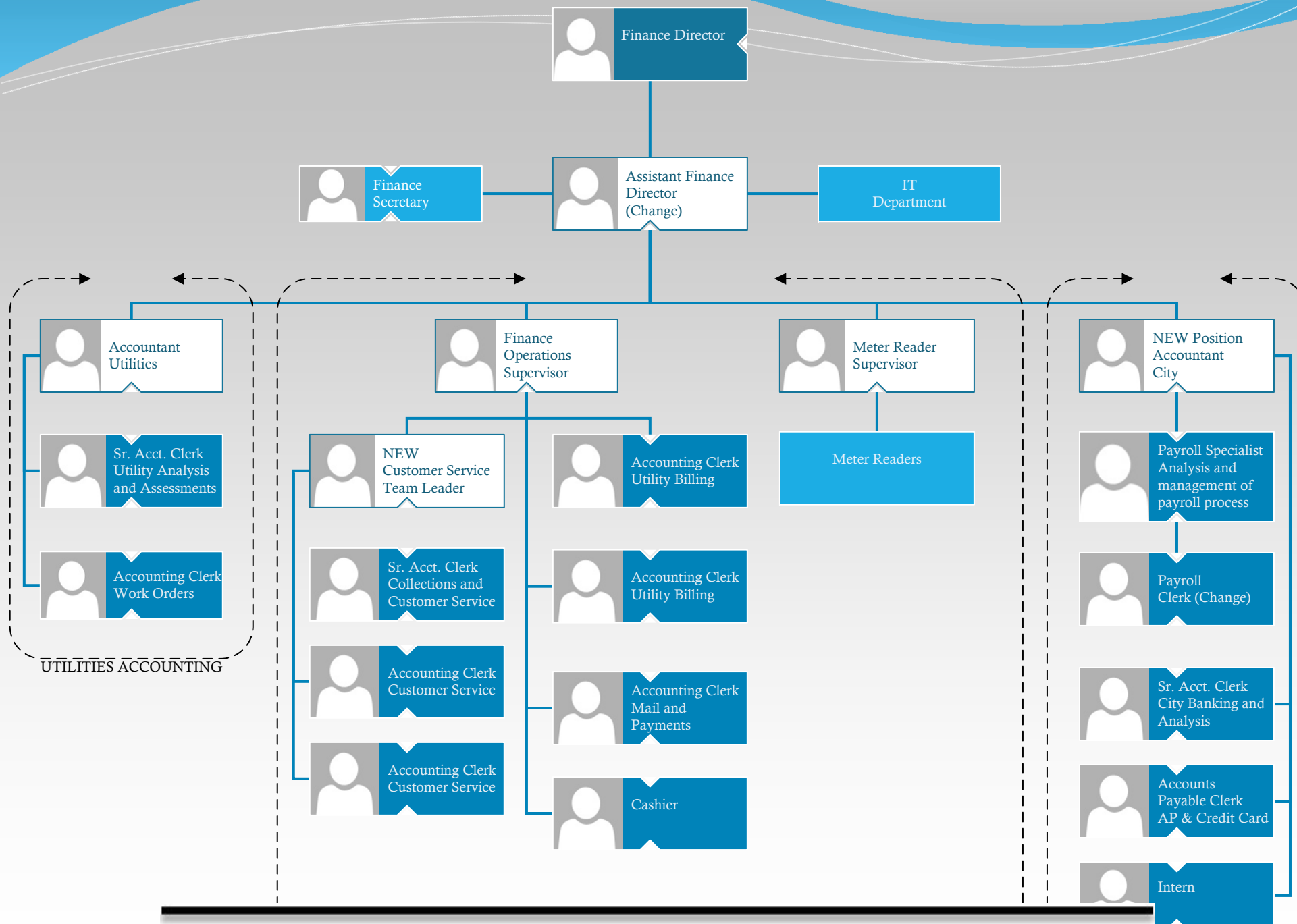
History of Finance Department FTEs, excluding the IT Department

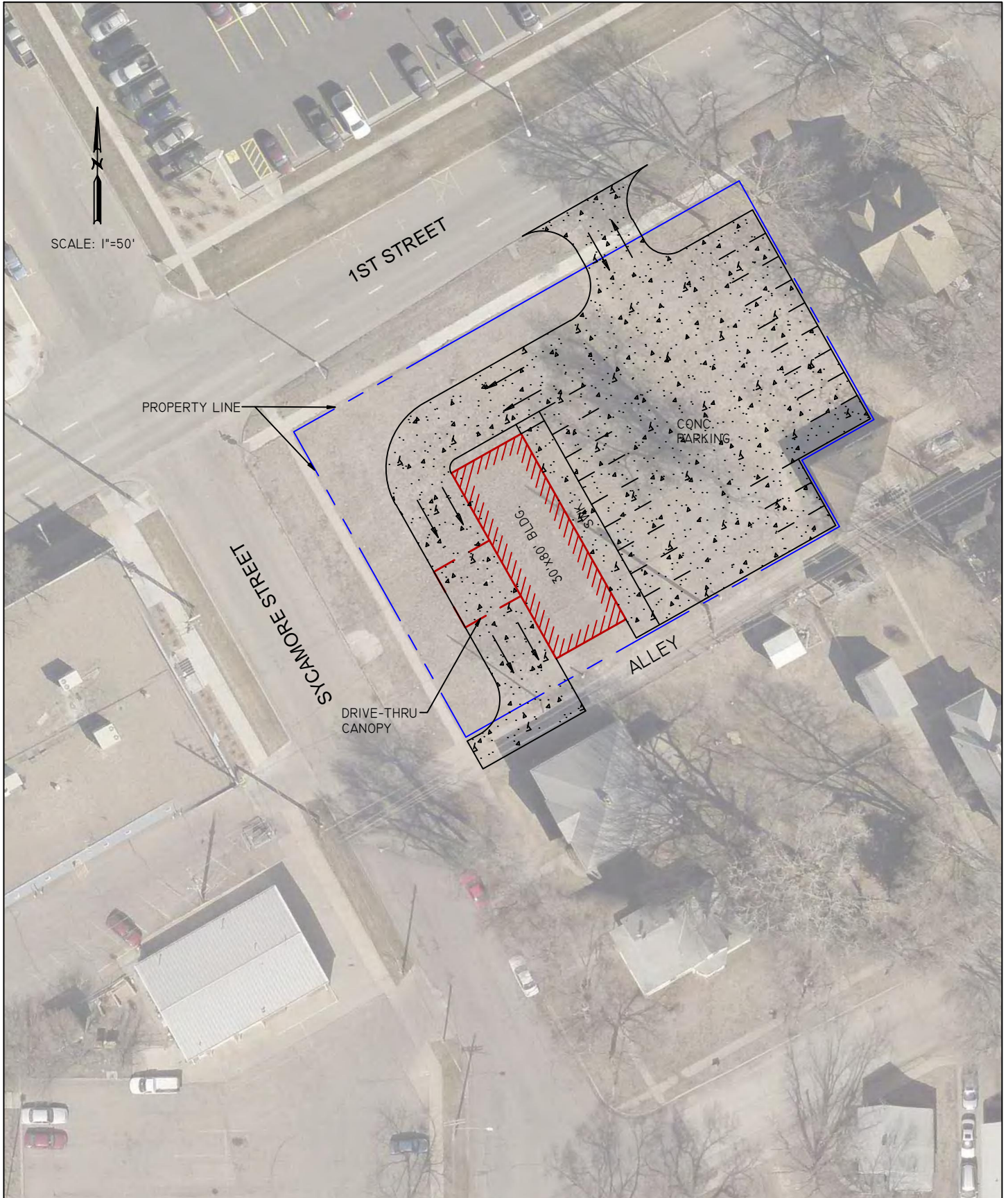
<u>Fiscal Year</u>	<u>FTE's</u>	<u>FTE Changes</u>
FY Ending 1995	31.75	
FY Ending 1996	32	+ .25 Sr Accounting Clerk
FY Ending 1997	31	-1 Purchasing Agent
FY Ending 1998	31	
FY Ending 1999	31	
FY Ending 2000	31	
FY Ending 2001	31	
FY Ending 2002	31	-1 Assistant Finance Director + 1 Finance Controller
FY Ending 2003	31.58	+ .58 Accounting Clerk
FY Ending 2004	31.08	-2 Accountants, +.50 Meter Reader, +1 Sr Accountant
FY Ending 2005	30.08	-1 Finance Controller, +1 Accountant, -1 Sr Accounting Clerk
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FY Ending 2013	25.25	
FY Ending 2014	25.25	-1 Utility Service Manager, +1 Finance Operations Supervisor
FY Ending 2015	25.25	

Current
City of Grand Island – Finance Department



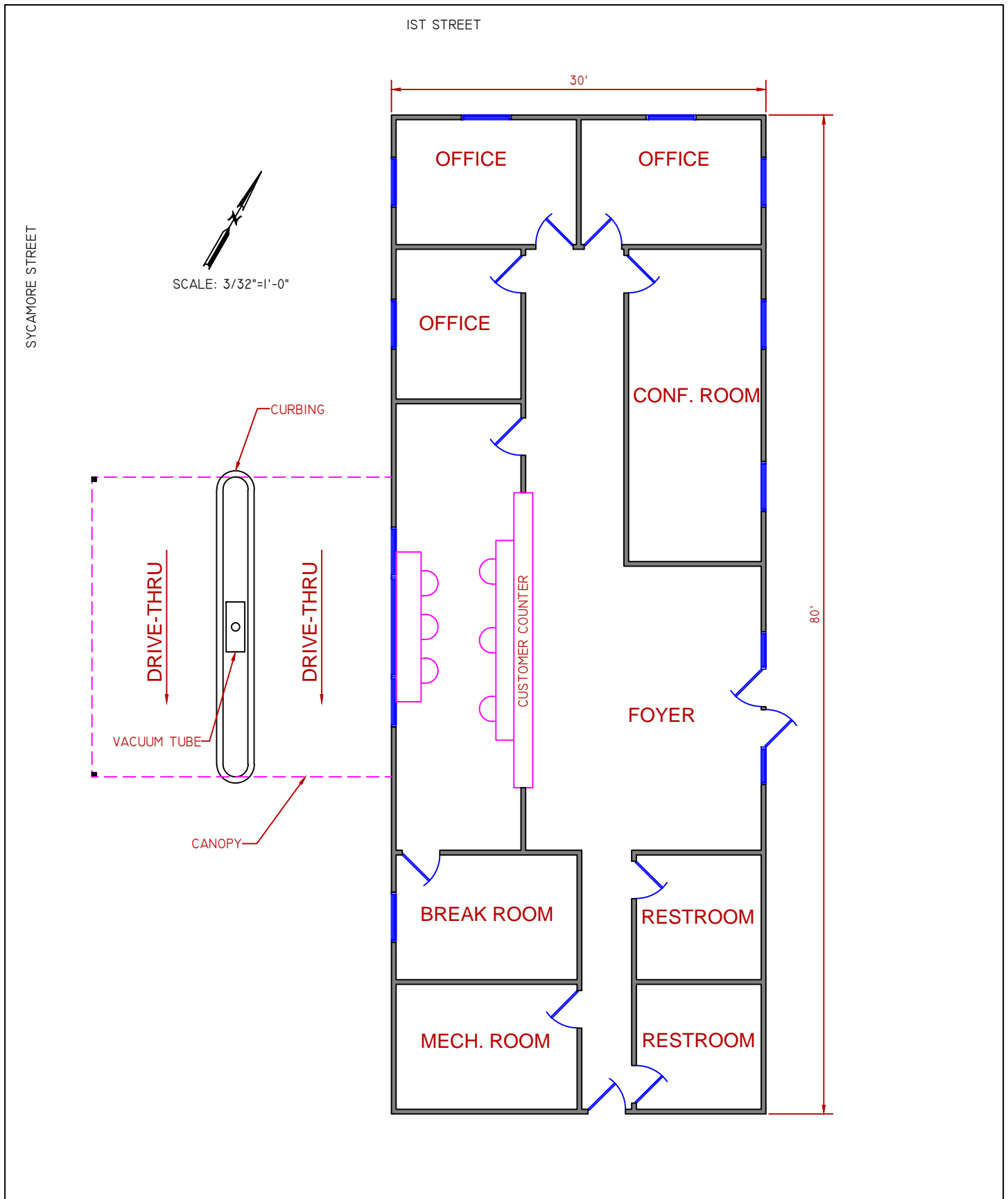
Proposed City of Grand Island – Finance Department





UTILITIES DEPT. CUSTOMER SERVICE CENTER SITE PLAN





UTILITIES DEPT. CUSTOMER SERVICE CENTER FLOORPLAN		
DRAWN BY: T.D.Z.	DATE: 5/13/2015	



To the Honorable Mayor and City Council
City of Grand Island
Grand Island, Nebraska

SHAREHOLDERS

Robert D. Almquist
Phillip D. Maltzahn
Terry T. Galloway
Marcy J. Luth
Heidi A. Ashby
Christine R. Shenk
Michael E. Hoback
Joseph P. Stump

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, the aggregate remaining fund information, and the fiduciary funds of the City of Grand Island for the year ended September 30, 2014, and have issued our report thereon dated January 28, 2015. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated March 6, 2013. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City of Grand Island are described in Note A to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended September 30, 2014. We noted no transactions entered into by the City during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

Management's estimate of the collectability of accounts receivable is based on historical utility revenues, historical loss levels, and an analysis of the collectability of individual accounts. We evaluated the key factors and assumptions used to develop the collectability of accounts receivable in determining that it is reasonable in relation to the financial statements taken as a whole.

Wealth Management, LLC Registered Investment Advisor, is affiliated with Almquist, Maltzahn, Galloway & Luth, P.C. and offers wealth management and investment advisory services.

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A PROFESSIONAL
CORPORATION

Management's estimate of the depreciation of capital assets is based on the estimated useful life of the capital asset. We evaluated the key factors and assumptions used to develop the depreciation of capital assets in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of the Pre-1984 Police and Firefighters liability is based on the actuarial valuation performed by Milliman and the calculation of the present value of the future payments. We evaluated the key factors and assumptions used to estimate the liability in determining that it is reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. Forty-five audit adjustments decreased the fund balances of the City's governmental funds by \$422,168, increased the net position of the City's business-type funds by \$5,217,688, and increased the net position of the City's discretely presented component units by \$49,366. The following material misstatements detected as a result of audit procedures were corrected by management:

1. Expenses and the government-wide equity account were both increased \$342,045 in the Capital Projects Fund due to additional accounts payable at September 30, 2014.
2. Construction in Progress was increased \$1,518,373 on the Sewer Fund and \$1,057,418 on the Electric Fund with offsetting decreases to interest expense to capitalize interest on the current construction projects.
3. Sewer Fund equity was decreased and revenue increased \$1,509,789 to reflect the transfer of sewer construction projects from the Community Grants Fund to the Sewer Fund.
4. Sewer equity was decreased and contribution revenue increased \$974,427 to reflect current year contributions of sewer construction by developers.
5. Sewer construction in progress was increased \$238,996 with an offsetting decrease to expenses to correct a reversing entry that was recorded twice.
6. Equity was increased and revenue decreased \$250,663 to reflect current year disposal of assets on the Solid Waste Fund.

7. The Landfill Fund closure costs payable and closure costs expense were both increased \$165,103 to adjust to the estimated balance at September 30, 2014.
8. Notes receivable were decreased and expenses increased \$78,000 on the Economic Development Fund to record LB840 loan forgiveness.
9. Unbilled revenue and revenue were increased \$374,496 on the business-type funds to correct calculation errors.
10. Accrued liabilities and expenses were both increased \$310,000 on the General Insurance Fund to adjust to the estimated balance at September 30, 2014.
11. In lieu of tax payable was decreased \$78,674 on the business-type funds with a corresponding decrease to expenses to adjust the tax after final audit adjustments.
12. Accounts receivable and grant revenue were both increased \$82,590 on the Community Grants Fund to correct the double reversal of prior year receivables.
13. Interfund receivable was increased \$131,689 on the General Fund and interfund payables were increased \$131,689 on the business-type funds to record September 2014 administrative service fees.
14. Accounts payable was decreased \$100,461 on the business-type funds with corresponding decreases to payroll expenses to remove the payroll accrual, which was already accrued in another liability account, from accounts payable.
15. Other receivables and intergovernmental revenue were both decreased \$148,698 on the Capital Projects Fund to remove the prior year receivable balance.
16. Accounts payable and medical claims expense were both reduced \$91,827 to remove a duplicate accrual of health insurance expenses.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated January 28, 2015.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to the City’s financial statements or a determination of the type of auditor’s opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the City’s auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

In connection with our audit of the financial statements of the City of Grand Island as of September 30, 2014, we noted certain matters that we believe you should consider. Our observations were formed as a by-product of our audit procedures, which did not include a comprehensive review for the purpose of submitting detailed recommendations.

1. We suggest you consider the benefits of hiring an Internal Auditor.
2. We recommend that schedules and workpapers prepared by staff be reviewed for accuracy before accounting staff use the information from these schedules to make adjustments. Also, we recommend that general ledger balances be compared to the supporting documentation to ensure the accuracy of adjusting entries.

Other Matters

We applied certain limited procedures to the Management Discussion and Analysis, budgetary comparison schedules, RSI disclosures for a street system based on a percentage of roads in good or substandard condition, and schedule of funding progress – public safety employees retirement system, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquires of management regarding the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the combining statements for nonmajor governmental funds, combining statements for internal service funds, combining statements for fiduciary funds, and combining statements for component units, which accompany the financial statements but are not RSI. With respect to the supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements.

We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restriction on Use

This information is intended solely for the use of the City Council and management of the City of Grand Island and is not intended to be and should not be used by anyone other than these specified parties.

*Aungquist, Mathyalm -
Galloway & Luth, R.*

Grand Island, Nebraska
January 28, 2015

RESOLUTION 2015-131

WHEREAS, the City of Grand Island and the Finance Department desire to better staff the department; and

WHEREAS, the Finance Department will add two non-union FTEs of Accountant and Customer Service Team Leader; and

WHEREAS, the Finance Department will change two existing classifications of Senior Accountant to Assistant Finance Director and one Accounting Clerk to the new classification of Payroll Clerk; and

WHEREAS, the estimated 2015 total cost of this change is between \$46,500 and \$58,500; and

WHEREAS, the cost was not originally budgeted, but expenditure authority exists for these new positions due to previous and current vacancies within the department; and

WHEREAS, an amendment to the Finance Personnel FTE Budget Allocation is necessary to allow for the addition of the Accountant and the Customer Service Team Leader FTEs and the change of classification title from Senior Accountant to Assistant Finance Director as well as moving one Accounting Clerk into the new classification of Payroll clerk.

NOW, THEREFORE, BE IT RESOLVED BY THE MAYOR AND COUNCIL OF THE CITY OF GRAND ISLAND, NEBRASKA, that amending the Finance Personnel FTE Budget Allocation is hereby approved.

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Adopted by the City Council of the City of Grand Island, Nebraska, May 26, 2015.

Jeremy L. Jensen, Mayor

Attest:

RaNae Edwards, City Clerk

Approved as to Form	☐ _____
May 22, 2015	☐ City Attorney