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:
City Organization Chart
Reminder of what we proposed and approved in the FY18 Budget
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.
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

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, Workforce Development
- Planning & Community Development includes Gateway Region, Regional Tourism
Finance Organization

**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

**Key Assistant CFO:**
- Payroll
- Accounts Payable
- Grants Reconciliation
- Audit Prep
- CAFR
- General Ledger
- Utility Billing Reconciliation

**Asst Finance Director for Budget:**
- Revenue Projections
- Program Analysis
- Department Level Budget Reviews

**Key Collections Duties:**
- Tax Collections
- Utilities Billings

**Utility Billing – Critical Focus:**
- Severn Trent Final Report
- Staffing

Severn Trent reported in their Final Report: “It was determined that after speaking with members of the finance department, Customer Service & Billing, Treasurer’s office, and IT that no one was truly reconciling the deposits that went to the bank against the transactions/reports in the system.”*

We propose the following organization for collector functions.

**Revenue Collections vs. Collector of Delinquent Taxes**

- City Treasurer Functions such as Cashiering, Deposits, Banking Services will move under the Finance Department.
- City Collector of Delinquent Taxes based on § 3-14. Collector of city taxes generally.

**City Council**

**City Manager/ City Collector**

- Finance Director: Revenue Collections
  - Current revenue collections will be under the Director of Finance
  - City Treasurer cashier functions and staff move under the Finance Department
  - Utilities Billing will be moved under Finance

- Collector of Delinquent Taxes
  - 3rd Party Vendor provides collection duties for delinquent taxes (once taxes are declared “delinquent”)

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

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.

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.

Source: [http://www.petersburgva.gov](http://www.petersburgva.gov)
Current State Process: Revenue -> Treasurer

**Process Flow from Revenue Office to Treasurer Office**

1. Revenue assesses personal property, vehicle licenses, tools, business license, cigarette tax, meals & lodging tax.


3. Abatements are keyed for each tax into the Bright System (AS-400) and the amounts are reflected immediately to the Treasurer.

4. Revenue and Treasurer use the same system for payment (Bright/AS-400). As soon as a tax is entered in Revenue, it will show in the Treasurer's system for payment.

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

**Note 2:** Only Treasurer Can View Delinquent Amounts

Source: [http://www.petersburgva.gov](http://www.petersburgva.gov)
Richmond Case Study

City of Richmond Org Chart

- Treasurer
  - Elected Treasurer
  - Assists collections of state income tax forms
  - Sells Fishing & Hunting Licenses

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

Source: Richmond Finance Department, Richmond Treasurer’s Office, interviews conducted 7/18/17.
## Comparison Chart of Functions

### Current State

<table>
<thead>
<tr>
<th>Financial Service</th>
<th>Richmond Finance</th>
<th>Petersburg Finance</th>
<th>Petersburg Treasurer</th>
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<tbody>
<tr>
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Current Petersburg Treasurer Functions

Source: Richmond Finance Department, Richmond Treasurer’s Office, interviews conducted 7/18/17.
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.

Source: Petersburg Treasurer’s Office, interviews conducted 7/20/17.
## Comparison Chart of Functions

### Future State

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Proposal: Petersburg Finance Department assumes these functions

Source: Richmond Finance Department, Richmond Treasurer’s Office, interviews conducted 7/18/17.
Current State Revenue, Collections and Finance Org Chart

Residents of Petersburg

City Council

Treasurer

Revenue Commissioner

City Manager

City Assessor

Chief Finance Officer/Finance Director

Finance/Accounting (Assistant CFO)

Assistant Finance Director for Budget

Information Technology

Revenue Collections

Collector of Delinquent Taxes & Fees

Purchasing

Human Resources

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.

Source: Petersburg Finance Office interviews, RBG Analysis.
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.

Source: Petersburg Treasurer’s Office Interviews, RBG Analysis.
RBG Recommendation

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

  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.

§ 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 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

There have been months where no bills went out

Approx. 23,000 accounts

Virtually no bills sent out
Monthly Utilities Billings ($)

For over a year, the billing system was a disaster.
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)
# Billing and Collections Action Plan

<table>
<thead>
<tr>
<th>Action Item</th>
<th>Owner</th>
<th>Impact to Revenue Collections</th>
<th>Impact to Processes</th>
<th>Timeframe to Implement</th>
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Transparency

• All presentations are available on the City’s website: