

FINANCE

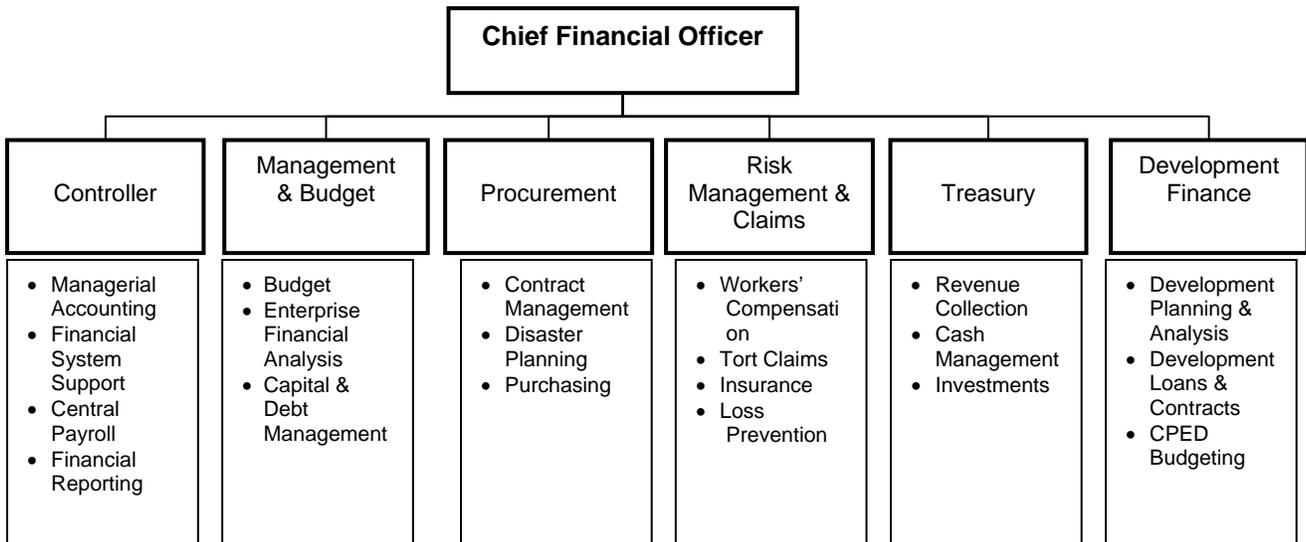
MISSION

Provide financial services that assist managers and elected officials in making sound and informed decisions that ensure the City's financial integrity.

BUSINESS LINES

- **Financial Operations – Providing accurate, timely financial information:** This business line includes collecting and receiving revenue, managing receivables, paying employees, vendors, and other third parties, and managing and preserving assets.
- **Decision Support – Supporting informed financial and business-related decisions:** This business line includes supporting elected officials in making decisions regarding source and allocation of financial resources, and supporting departments in making decisions regarding management of financial resources.

ORGANIZATION CHART



**FIVE –YEAR DEPARTMENTAL GOALS, OBJECTIVES, AND PERFORMANCE MEASURES
(ALIGNED WITH CITY GOALS AND STRATEGIC DIRECTIONS)**

Department Goal	Objective	Measure
Note: As financial stewards for the City, the department’s work is linked to all the City’s goals.		
Ensure the City’s financial stability through informed decision-making, aligning with the City priorities.	Provide financial information to managers and policy makers in making sound, informed decisions about the following: Economic development initiatives City services and operations Capital investment in physical infrastructure Resource allocation and performance measurement	Credit ratings. General fund balance (% of expenses). Funded ratio of closed pension plans (MERF, MPRA, and MFRA). % of Finance’s resources spent on decision support
Ensure the City’s financial stability through informed decision making, aligning with the City priorities.	Establish internal and external fees for specified services to fully recover costs.	Revenues as % of expenses – development/regulatory revenues as % of expenses – Internal Services Revenues as % of expenses (water, sewer, parking, stormwater, solid waste) % of departments that were advised of and understand the cost basis for their rate models
	Coach and support the implementation of loss prevention tactics in every department.	Work comp claims costs per department Liability claims costs per department % of departments defining LP tactics in their Business Plan
Improve efficiency and effectiveness of Finance department by improving the business processes and the workforce.	Simplify and improve business processes through implementation of a new financial system.	% of business processes improved % of side-systems eliminated % of business units that have reformed chart of accounts % of Finance’s resources spent on operations % total revenues included in City’s annual CEI (collections effectiveness indicator) measure. % CEI (by revenue type as) versus benchmark % increase in vendors on EFT (electronic funds transfer) % vendor discounts that provide a return to City greater than its cost of capital taken (measure is not available at this time, but will be with the implementation of the new system)

Department Goal	Objective	Measure
	Maintain a positive work environment for employees by strengthening and improving methods of workforce accountability and feedback	% employees with performance reviews in past year % change in survey responses related to communication % employees agree-strongly agree they are satisfied with their job % employee turnover
	Develop a competent and versatile workforce. Develop a competent and versatile workforce.	% of staff annually participating in training plans as defined within their performance reviews. % women – total %person of color – total % women – management / supervisor %persons of color – management / supervisor
	Invest City cash reserves to preserve capital, meet City liquidity needs and maximize returns.	Return on investments as % of benchmark Average cash balance in days of operating expenses

MEASURES, DATA AND TARGETS

Measure Name	2004 Data	2005 Data	2006 Data	2007 Data	2008 Target	2011 Target
Credit ratings	Aa1/AAA/AAA	Aa1/AAA/AAA	Aa1/AAA/AAA	Aaa/AAA/AAA	Aaa/AAA/AAA	Aaa/AAA/AAA
Total debt as a percentage of assessor market value	4.4%	4.2%	3.7%	3.3%	Under 5%	Under 5%
General funds performance (minimum fund balance of 15%)	21%	17%	17%	15%	15%	15%
Net assets of internal services funds with workout plans (dollars in millions)	-67	-62	-57	-41	-35	-20
% finance resources spent on decision support	35%	37%	40%	42%	45%	50%
% of finance's resources spent on operations	65%	63%	60%	58%	55%	50%
Collections effectiveness indicator (CEI)	79%	68%	61%	78%	80%	85%
Percent of receivables in the CEI	73%	74%	76%	78%	80%	90%
Investment return (operating funds) total return	1.73%	2.5%	4.4%	102% of target	102% of target	102% of target

What key trends and challenges does your department face and how will they be addressed?

Heightened demand for financial information, analysis, and decision support by elected officials and department managers: This demand stems from significant cuts in state aid, declining resources for public safety, infrastructure, economic development, and the advent of five-year business planning.

Finance will address this challenge by making financial operations more efficient and allocating savings to support informed decision-making by elected officials and managers.

Business process improvements (simplification, automation, or elimination): These improvements aim to reduce costs and improve customer service. Finance continually seeks to improve its operating business processes to reduce costs and improve customer service.

Finance will address this challenge by critically evaluating and refining business processes, training personnel, and using technology to its fullest advantage.

Invest in technology infrastructure: Investment will include maintenance and upgrade of the utility billing system, enterprise resource system, and related subsystems – especially the many timekeeping systems.

Finance will address this challenge by planning and implementing technology investments that result in improved financial and business operations and support informed decisions.

Loss prevention initiative: This is a proactive program for each City department to incorporate tactics into their daily operations which lead to decreasing losses and preserving precious human and property resources.

Finance will address this challenge by leading and advocating multi-department teams to change operations so that losses due to employee injury and general liability claims are reduced and minimized.

Training employees for the jobs of the future: Finance employees must be prepared to better understand the business of City operations, critically analyze financial and market trends, solve problems, offer solutions, and lead multi-disciplinary teams. Finance employees must also be prepared to continually make operational improvements and find simpler methods to achieve financial results.

Finance will address this challenge by investing in employee training and communications and will incorporate this objective into its annual performance appraisals.

New Financial System

Finance will use salary savings from 2005 through 2015 to fund the replacement of the City's financial management system at a cost of \$15 million (\$1.5 million per year). The upgraded system will support more efficient business processes while improving financial reporting and supporting better strategic financial decision management.

Unplanned reductions to Finance's budget: From time to time, Finance's budget has been reduced to fund other City priorities such as Police and City Coordinator services. While such priorities may be determined to be higher than financial services, these decisions reduce Finance's resources and will ultimately diminish financial services provided to managers and policymakers.

What actions will the department take to meet five year financial direction? If applicable, what is the department's contingency plan on CDBG funding?

The five-year financial direction calls for reductions in general fund support for the Finance Department of \$150,000 to \$200,000 in each of the next five years. The department will take or continue to take the following actions to manage the cuts:

- Reduce spending in the operations business line by eliminating, simplifying, or consolidating business processes relating to the three principal activities: paying employees, paying vendors, and collecting revenues. Savings will be reallocated in the following order of priority: meet budget target, make technology improvements, and provide decision support services.
- Using salary savings from 2005 through 2015 to fund the replacement of the City's financial management system at a cost of \$15 million (\$1.5 million per year). The upgraded system will support more efficient business processes while improving financial reporting and supporting better strategic financial decision management.

There are at least five challenges to Finance's financial resources during the next five years. To the extent these challenges cannot be offset by business process improvements that result in more efficient operations, financial and business services to managers and policymakers will be reduced or made less effective including slower payment processing, less frequent financial reports, less analytical and decision support capacity, and greater risks of losses due to inadequate internal controls.

Planned reductions to Finance's budget: Planned reductions to Finance's budget are between \$150,000 and \$200,000 per year for the next five years.

311 implementation: Finance is contributing \$340,000 to support one-call service, but is receiving only a fraction of the value of this service as of mid-2007. A continuing deficit between Finance's contribution and the service received will ultimately result in diminished financial services, especially the collection of utility and other revenues. Less effective revenue collections can result in lost revenues, slower collections, and lower investment earnings.

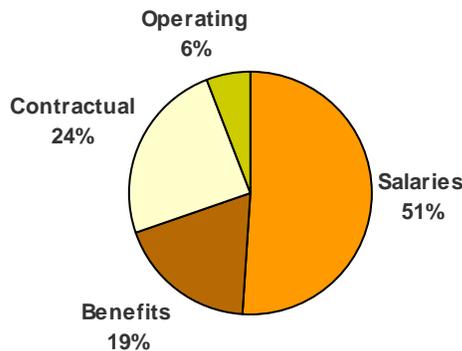
Growth in operating budget: The five-year plan is based on certain critical assumptions that drive Finance's operating costs, particularly wages and benefits. If the combined growth of wages and benefits exceeds the assumptions on Finance's budget (as with all City budgets), the City will be challenged to provide services.

FINANCIAL ANALYSIS

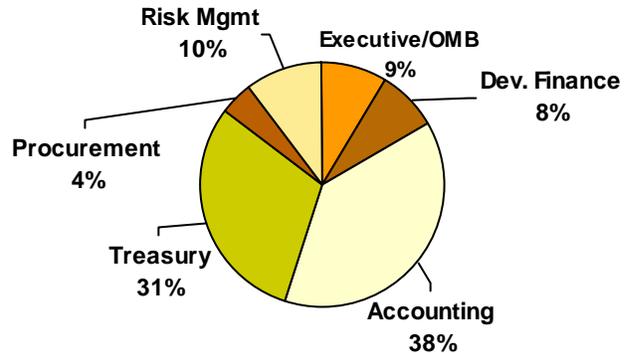
EXPENDITURE

For 2008, the Finance Department budget for all funds is \$21.2 million, a 3.2% or \$683,000 increase over the 2007 adopted budget, keeping the department in line with the five-year financial direction.

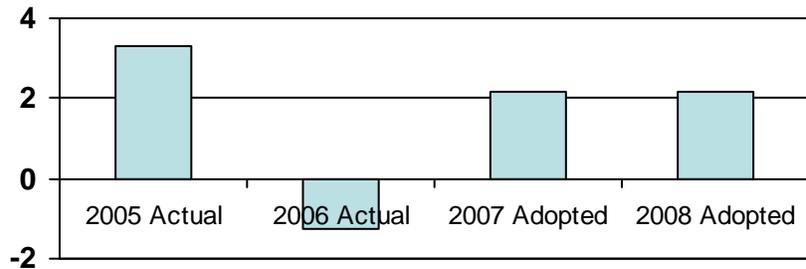
Expenditure by Type (\$21.2 million)



Expenditures by Division (\$21.2 million)



Revenues 2005-2008 (\$2.18 m)



REVENUE

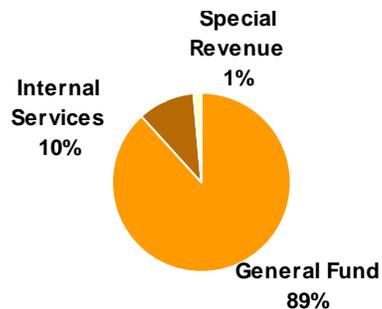
Revenue for the finance department is \$2.18 million, reflecting the implementation of the self-insurance rate model for the internal service funds and risk management. The revenue drop in 2006 demonstrates the effect of the general fund overhead model, rather than individual general fund departments

collecting revenues from other funds for service. A revenue to the fund as a whole is estimated for these functions.

FUND ALLOCATION

The department's budget is primarily derived from the general fund (89%). \$205,000 of the budget is funded through community development block grants, while \$65,000 of the budget is federal and state funds and \$2.2 million of the budget is from the self-insurance fund.

Expenditures by Fund (\$21.2 million)



MAYOR'S RECOMMENDED BUDGET

The Mayor recommended a \$200,000 reduction to the Finance Department, as included in the 2008 financial direction.

COUNCIL ADOPTED BUDGET

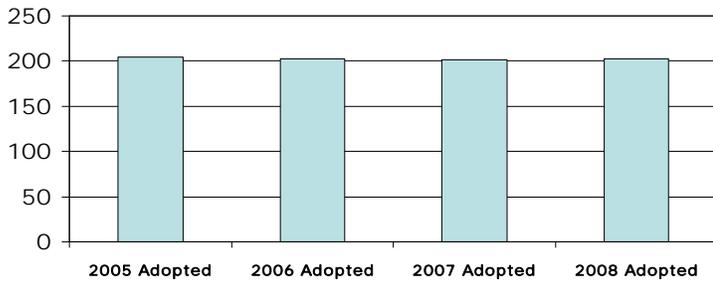
The Council concurred with the Mayor's recommendations. The Police, Public Works, and Finance departments were instructed to return to the Budget Committee by February 25th with funding options for the City's graffiti removal, prevention, and enforcement efforts from a source other than solid waste rates.

FINANCE

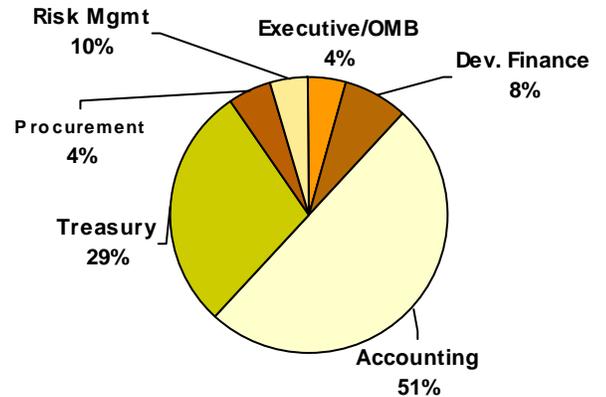
Staffing Information

	2005 Adopted Budget	2006 Adopted Budget	2007 Adopted Budget	2008 Adopted Budget	% Change	Change
FTE's by Division						
Controller	97.00	100.00	100.00	100.00	0.00%	-
Development Finance	21.00	15.00	15.00	15.00	0.00%	-
Executive	10.00	10.00	9.00	9.00	0.00%	-
Procurement	8.50	10.00	10.00	10.00	0.00%	-
Risk Management	9.50	9.00	9.00	9.00	0.00%	-
Treasury	58.00	58.00	58.00	59.00	1.72%	1.00
Total FTE's	204.00	202.00	201.00	202.00	0.50%	1.00

Staffing Summary 2005-2008



Positions by Division (201)



FINANCE
EXPENDITURE AND REVENUE INFORMATION

	2005 Actual	2006 Actual	2007 Adopted	2008 Adopted	Percent Change	Change
Total Expenditures All Funds	19,482,504	20,043,881	20,469,985	21,152,702	3.23%	682,717
Total Revenues All Funds	3,323,501	-1,275,369	2,145,222	2,178,000	1.53%	32,778
General Fund - City						
Salaries and Wages	9,235,346	9,305,493	10,375,694	10,089,805	-2.83%	-285,889
Contractual Services	5,126,281	5,123,958	3,661,631	4,288,516	17.12%	626,885
Operating Costs	437,635	505,335	599,418	612,004	2.10%	12,586
Fringe Benefits	2,595,939	2,814,272	3,445,035	3,684,456	6.95%	239,421
Equipment	13,708	7,914	15,525	15,851	2.10%	326
Capital Outlay			28,764	29,368	2.06%	604
Total Expenditures	17,408,911	17,756,971	18,126,067	18,720,000	3.17%	593,933
Local Government	15,000	15,000				
Charges for Service	8,018	8,391	6,000	6,000	0.00%	0
Charges for Sales	88	5				
Interest	9					
Other Misc Revenues	16,455	81				
Total Revenues	39,570	23,477	6,000	6,000	0.00%	0
Special Revenue Funds						
Salaries and Wages	284,057	255,099	208,974	177,735	-14.95%	-31,239
Contractual Services	1,153	70	5,699	36,305	537.04%	30,606
Operating Costs	4,296	1				
Fringe Benefits	78,225	68,298	75,625	55,977	-25.98%	-19,648
Total Expenditures	367,731	323,468	290,298	270,017	-6.99%	-20,281
Federal Government			42,592	0	-100.00%	-42,592
State Government			43,822	0	-100.00%	-43,822
Local Government			0			
Contributions	5,458		0			
Total Revenues	5,458		86,414	0	-100.00%	-86,414
Internal Service Funds						
Salaries and Wages	433,455	451,685	556,547	563,674	1.28%	7,127
Contractual Services	890,991	965,282	776,177	830,283	6.97%	54,106
Operating Costs	46,269	417,497	551,526	563,107	2.10%	11,581
Fringe Benefits	105,011	128,978	163,839	199,974	22.06%	36,135
Equipment	674		5,531	5,647	2.10%	116
Total Expenditures	1,476,400	1,963,442	2,053,620	2,162,685	5.31%	109,065
Charges for Service	271,258	559,295	2,052,808	2,172,000	5.81%	119,192
Total Revenues	271,258	559,295	2,052,808	2,172,000	5.81%	119,192