



Better Emerging Practices

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Local Initiatives - You don't have to be great to get started, but you do have to get started to be great.

1. Procurement Process Review
2. Financial Reporting Controls Review
3. Construction Costs Review
4. Construction Contractor Cost Pre-Award Review
5. Fiscal Policies Review
6. Internal Controls Review

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7. Cashiering Controls Review at Remote Department
8. Long-term Financial Projections
9. Policies and Procedures Review and Documentation
10. Annual Operating Budget Analysis
11. Council Training – Understanding Municipal Finance
12. Cost Allocation Study

Local Initiatives – What Will be Your Legacy?

- City of Oxnard – Independent Review of Systems, Accountability, Organization Structure, Policies & Procedures
- San Mateo County, CA. - Succession Planning. In local government, per Bureau of Labor Statistics, 37/5 of employees are at least 50 years of age. County has developed a transition planning guide for critical positions, discussing roles and responsibilities, identifying most likely positions to be affected, requesting 3 years notice, but providing transitional benefits to retiring employees.
- OPEB Irrevocable Trusts – Allows for funds to be invested in higher yielding securities (earning 6 to 8% vs 1 to 2%); a 1% increase in discount rate = 10- to 15% reduction in liability.

Technology - Opportunities Abound



- Cloud Computing – 90% of business use; lower equipment costs; shared facilities can be used 24 hours / day thus reducing costs. *Accounting Implications?*
- Mobile devices (ipads, laptops, smart phones) – King County saved \$6.1 million over 5 years using ipads for property assessors. **Other Uses?**
- Using “The Internet of Things” – wearable technology, automated room lighting, heating and cooling, locks, motion detectors, traffic monitoring, payment devices – 9 **billion** devices growing to 24 billion by 2020!
- Predictive Technology – When logging on to City’s web site, a late bill payer receives link for payment and prompt to switch to auto-pay.
- Open Alabama – searchable checkbook on line.

Technology - Not Without Its Risks

- IT Security Audits – measures performance against criteria
- IT Penetration Tests – a security expert tries a number of attacks to ascertain whether or not a system could withstand attacks from a malicious hacker
- Vulnerability Assessment – comprehensive study of entire IT system for potential weaknesses (to identify vulnerabilities and impact), access controls (to prevent hacking, unauthorized access to confidential information, improper transactions, siphoning cash, altering billings or payroll, etc.), disaster preparedness (to test exposure to destruction/loss of use)
- New Product – Cyber Insurance.

The Sharing Economy

- Sharing and selling excess capacity:
 - MuniRent – an online reservation system for heavy duty equipment sharing inside government agencies.
 - Available meeting rooms
 - Vehicles
 - IT Resources
 - Recreational Facilities
 - Police and Fire Services
 - **Others??**

Energy Savings

- Going Solar – Encinitas School District
 - Expected savings \$450,000 per year (now paying \$855K/year)
 - Total cost \$10 mil paid from bonds
- Energy Audits and retrofits in public buildings saved Dallas 900,000 KW hours per month (\$1 million per year)
- LED traffic and streetlights save the City of Houston \$3.6 million per year
- Water conservation???

Public/Private Partnerships (P3s)

Benefits:

- Service improvements
- Transfer of Risk
- Handling seasonal peak demands
- Outside expertise
- New insights

Cautions:

- Inexperienced/undercapitalized contractors
- Inadequate performance measurement
- Loss of control
- Reliance on external party for critical services
- Lack of monitoring and oversight

Public/Private Partnerships (P3s)

Traditionally used for:

- Solid waste collection
- Utilities
- Street repairs

New uses:

- Human resources (screening for hiring, benefits, wellness programs)
- Payroll
- IT and Data Warehousing
- Litigation support
- Internal auditing
- Golf course management
- Parks and Recreation programs/recreation center management
- Public Works – street cleaning, maintenance, landscape.

Public/Private Partnerships (P3s)

More new uses:

- Building Service Department – Troy, Michigan, population 82,000. Saved \$1 million first year. Retained performance measures; scanned records; automated to a paperless function.
- Cloud-based Technology with IT Firm - Williamson County, Tx, shared development cost, but no hardware costs or staff.
 - Provides dashboards, ad hoc reports & > 650 standard reports (grants management, project costs, trends, traffic tickets, costs by facility, financial reporting) – saved 75% of time previously required to run/distribute reports.

Quiz

What do you call a government finance officer who always works through lunch, takes two days holiday every two years, is in the office every weekend, and leaves every night after 10 p.m.?

Long-term Financial Planning & Management

Historically focus is on annual or two-year budget

Why now?

- Recession – followed by labor negotiations
- Uncertainty of future costs (focus on OPEB and Pensions)
- Need to plan for deferred maintenance remediation

Baltimore:

- Completed health benefit eligibility audit – removed 1,500 non-qualified dependents from city-funded coverage.
- Redesigned healthcare plan saving \$20 million annually
- Modify pension benefits/funding for new employees
- Refinanced debt to reduce exposure to variable rate debt
- Reduced the City's fleet
- Partner with nonprofits to support core services.

Long-term Financial Planning

Problems faced – Lincoln, Nebraska:

- High wages set by State
- Declining sales tax and property valuations
- Use of one-time revenues
- Maintenance spending cut from \$2 million in 2001 to \$50,000 in 2007
- “Enormous Budget Book” did not include program evaluation, performance targets or measures
- No consensus on solution

Solution:

- Outcomes-based budget (safety, economic development, environmental quality, effective transportation, healthy people)
- Tough choices based on survey
- Presented options – close parks, cut firefighter positions, close swimming pools, close libraries, end bus service, delay maintenance.
- Other options – increases taxes, cut employees

Result – Engaged public, more desirable services, greater satisfaction.

Debt Management Policies

GFOA recommends a debt management policy to improve quality of decisions, provide guidelines for the structure of debt, and articulate policy goals.

Per CA. Debt & Investment Advisory Commission, 51% of City issuers and 77% of school district issuers have not adopted debt management policies....**but some have!**

New SEC rules designed to reduce borrowing costs by increasing liquidity and reducing prices paid by individual investors.

Elements of a Debt Management Plan

<u>Elements of Policy</u>	<u>% with Element (cities)</u>
1. Restrictions and uses	95%
2. Sources of repayment	70%
3. Useful life, matching asset life	80%
4. Legal/statutory limits	75%
5. Fiscal condition/ratios	70%
6. Debt service capacity	70%
7. Short and long-term characteristics	75%
8. Fixed and variable characteristics	45%
9. Allowed types of financing	90%

Conclusion

Focusing on Better Government

'Finished last' will always be better than 'Did not finish', which always trumps 'Did not start.'

