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DEPARTMENT OF
FINANCE

BETTY MASUOKA
DIRECTOR

CITY OF SACRAMENTO
CALIFORNIA

CITY HALL
ROOM 14
915 I STREET
SACRAMENTO, CA
95814-2685

March 30, 1990

916-449-5736

DIVISIONS:
ACCOUNTING
BUDGET
REVENUE
RISK MANAGEMENT

Budget and Finance Committee
Sacramento, California

Honorable Members in Session:

SUBJECT: Department of Finance Reorganization

SUMMARY

As part of the adopted Midyear Review, Council approved the restoration of \$158,731 to the Department of Finance. This report recommends various organizational changes for the Department of Finance, including the addition of 5.0 FTE, in lieu of restoring the returned funds to the line items which were originally reduced. This item was heard by the Budget and Finance Committee on April 10, 1990.

BACKGROUND

See attached Council report.

POLICY ISSUES

See attached Council report.

FINANCIAL

See attached Council report.

MBE/WBE

See attached Council report.

RECOMMENDATION

It is recommended that the Budget and Finance Committee approve and forward to Council the attached resolution which adds the following positions to the Department of Finance:

- 2.0 FTE Accountant/Auditor III
- 1.0 FTE Chief Accountant*
- 1.0 FTE Financial Systems Manager*
- 1.0 FTE UCIS Administrator*

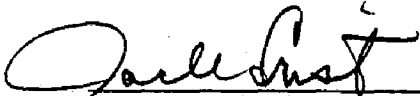
* Actual titles to be determined at a later date.

Respectfully Submitted,



BETTY MASUOKA
Director of Finance

RECOMMENDATION APPROVED:



JACK R. CRIST
Deputy City Manager

CONTACT PERSON: BETTY MASUOKA
Director of Finance
449-5736

All Districts
April 10, 1990

RESOLUTION NO.

ADOPTED BY THE SACRAMENTO CITY COUNCIL

ON DATE OF _____

**RESOLUTION AMENDING THE CITY BUDGET
FOR FY 1989-90 FOR THE DEPARTMENT OF FINANCE
BY ADDING 5.0 POSITIONS**

BE IT RESOLVED BY THE COUNCIL OF THE CITY OF SACRAMENTO THAT:

The budget for FY 1989-90 for the Department of Finance is hereby amended by adding the following five (5) positions:

- 2.00 FTE Accountant/Auditor III
- 1.00 FTE Chief Accountant*
- 1.00 FTE Financial Systems Manager*
- 1.00 FTE UCIS Financial Coordinator*

* Actual titles to be determined at a later date.

MAYOR

ATTEST:

City Clerk

FOR CITY CLERK USE ONLY

RESOLUTION NO.: _____

DATE ADOPTED: _____



DEPARTMENT OF
FINANCE

BETTY MASUOKA
DIRECTOR

CITY OF SACRAMENTO
CALIFORNIA

March 30, 1990

City Council
Sacramento, CA

Honorable Members in Session:

SUBJECT: Department of Finance Reorganization

SUMMARY

As part of the adopted Midyear Review, Council approved the restoration of \$158,731 to the Department of Finance. This report recommends various organizational changes for the Department of Finance, including the addition of 5.0 FTE, in lieu of restoring the items which were originally reduced.

The major goals of the reorganization are to emphasize certain areas which are of significant importance to this department and City. These program areas are: Special (Assessment) District Accounting/Administration, Cash Accountability and Financial System Management.

This report was heard by the Budget and Finance Committee on April 10, 1990.

BACKGROUND

On March 6, 1990, the City Council approved the restoration of \$2.69 million in General Fund budget cuts that were originally taken to balance the 1989-90 Budget. Of the total, \$158,731 was restored to the Department of Finance. This amount reflected the elimination of 2.0 FTE, downgrading the classification of 2.0 FTE, and the reduction of \$72,700 in supplies and services.

As a result of identifying more pressing needs, it is recommended that these funds not be restored to the line items and positions from which they were originally taken, but instead be used to fund a department reorganization.

The current structure of the department has five divisions: Administration, Accounting, Budget, Revenue, and Risk Management. The current structure has generally served the City well, but given the growth in number and complexity of responsibilities, and

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resource constraints it is appropriate to reevaluate the situation.

Presented below are the goals of this reorganization and the recommendations to effect those goals.

Special District Billing and Accounting.

The Bonds and Assessments section in the Revenue Division is responsible for the billing and collection of assessments on approximately 11,000 parcels for over one hundred and thirty five 1915 assessment districts and twenty 1911 assessment districts. The section also administers the payment of interest and principal to holders of registered assessment bonds and serves as the paying agent for the unregistered bonds and coupons. Furthermore, all billings and liens which are collected via the County Property Tax bill are also coordinated through this section. Separately, the Accounting Division in the Finance Department is responsible for the accounting of the legally required reserves and funds.

Currently, the department has a financial subsystem to track each of these assessment districts and account for each of the individual property owners in these districts. The system, however, is inadequate in terms of having the capability to keep up with the growing complexities in this area, both in terms of the legal and financial accounting requirements.

Because of the growing importance of special district financing and the increased complexities of legal compliance in the administration of these districts it is important to upgrade or replace the current special districts system and develop the in house expertise to keep up with the growing accounting/administrative requirements associated with it.

Recommendation: In order to address these issues it is recommended that 1.0 FTE Accountant/Auditor III be added to the Finance Department. Funding for this position will be from the Special District Information Reporting System Fund (SDIRS). Revenue to this fund is from a fee charged on all special districts.

This position will head up the new Special Districts section which will encompass the Bonds and Assessment section and the assessment district fund assignments in the Accounting Division. The position will also act as project manager for the system acquisition and implementation process and to update our accounting procedures to bring them into compliance in this area.

At this time the cost of the new system is not known. Once the needs assessment is completed and proposals received staff will return to Council with a specific system proposal. It is also anticipated that after further evaluation with the City Attorney's Office that additional staff may be requested to deal with specific issues such as "fast foreclosure" requirements assuming that the procedure is carried out with in-house staff. Staff will also be

evaluating the cost of contracting this process out to a private legal counsel. (Fast Foreclosure is the requirement that if an assessment payment is delinquent then the City is required to foreclose on the affected property within a specified period of time - usually 180 days.)

Cash Accountability/Cash Management

After an investment of \$340,000 for the purchase and customization of software for the Treasurer's Investment Management subsystem and programming to interface it with the City's Financial System (LGFS) as well as hundreds of hours of staff time from both the Treasurer's Office and Finance Department, a permanent solution to the City's cash accountability delays has been identified and initiated. A continued focus on this area is necessary to ensure a complete implementation of the new accountability process and timely cash reconciliation and interest apportionment.

Ancillary issues which also need to be addressed include a lack of backup support, the need to reallocate workload between Treasury and Finance to create efficiencies, and an expansion of Finance responsibilities. The latter will enhance the service provided to other departments in the areas of cash flow forecasting and development of cash handling policies and procedures.

As stated in the 1989 Management Letter of Recommendation from the City's external auditor, Deloitte Touche, there is a need to provide staff back up to the one accountant who possesses a working knowledge of the cash accountability process. There is also a need to fully document policies and procedures in this area.

Another unmet need in this area having to do with cash flow forecasting capability, and the development of cash handling policies. These areas are important to facilitate revenue forecasting, investment strategies, and to ensure safe guarding of cash collected at various City sites such as Parking Lots, City Hall, Community Center, etc.

Recommendation: In order to address the above issues it is recommended that 1.0 Accountant/Auditor III be added to the Finance Department to provide: back up to the accountability process, cash flow forecasting, cash handling policy direction and training to other departments. The position will be funded from the restored cuts and will therefore have no new net impact on the General Fund.

Financial Systems Support

The Finance Department is a major client of the Data Management Department and is involved with many of the largest systems in the City including the Local Government Financial System (LGFS), payroll, and UCIS (Utility Billing). We are continually involved in the acquisition, implementation and on going administration of these and many other systems.

As the City continues to acquire sophisticated "canned" software it becomes increasingly important for "users" to assume more responsibility for the administration of their systems. Also, there is a large unmet need in the area of on going training of city staff on these systems.

Recommendation: To recognize the importance of this function and to begin to address the many unmet needs in this area it is recommended that two positions be added to provide Financial Systems Support to the Department and the City. These positions would be in addition to the one position currently allocated to this function.

One of the recommended positions would be the Division Manager. The other position would be dedicated to the financial system interface and billing aspects of the UCIS system. The latter position would be funded from Enterprise funds. The Manager position would initially be funded with General Funds returned as part of the budget cut restoration but after one year of experience the costs will be folded into the cost allocation process. Via the cost allocation process the General Fund and Enterprise Funds would share in the cost of the position.

Accounting Management

Up until 1983-84 the Accounting Division was basically divided into two sections: general accounting and payroll. Each of these sections was headed by a "Chief Accountant". The two Chief Accountants reported directly to the Accounting Manager. One of the Chief positions was eliminated in 1983-84 as part of the overall budget cuts which were required that year. Since that time the payroll function has been staffed with one Senior Account Technician and three Account Clerks.

With the impending acquisition of the a new Human Resources Information System (combined Payroll, Labor, Employee Masterfile system) it is critical that the level of technical accounting expertise in this area be increased. It is also important that we enhance our technical resources to deal with the increasing number of requirements which are being imposed on the City by the Federal and State governments as well as our own requirements.

Recommendation: It is recommended that one Chief Accountant to supervise Payroll (and Accounts Payable) be added to the Department. No new funding is required for this position as the "restored budget cuts" will be used.

FINANCIAL

It is recommended that a portion of the current year funding restoration be used to equip and furnish the proposed positions. A cost estimate for this expense has not been prepared at this time, though staff projects a \$5,000 to \$7,000 one time expense per new position. This will fund a workstation, telephone,

microcomputer and other miscellaneous expenses. Any remaining "restoration" funds would be used to ensure that the department ends the fiscal year with a balanced budget and for other one-time expenditures.

On an ongoing basis, the cost of the 5.0 recommended positions would include salaries and benefits. There will be no net increase in General Fund costs as Department funds will be reallocated. Enterprise Funds and the Special District (SDIRS) Fund will each contribute \$50,000.

On going supply and service funding will be required but until additional resources are identified these costs will be absorbed within the department's existing base budget. This may require the elimination or reduction of one time or non mandatory expenditures (e.g. consultant services, travel, training, etc.).

The following table identifies the estimated annual costs and proposed funding sources for the recommended positions.

1990-91 Estimated Costs and Funding Sources

| | <u>Annual Amount</u> |
|--|----------------------|
| 1.0 Financial Systems Mgr (Fin Sys Division) | \$ 73,000 |
| 1.0 UCIS Financial Coordinator (Fin Sys Division) | 50,000 a. |
| 1.0 Chief Accountants | 53,000 |
| 1.0 Accountant III (Bonds & Assmt Section) | 50,000 b. |
| 1.0 Accountant II/III (Cash Mgmt Section) | 33,000 |
| | ----- |
| TOTAL COST (annual) | \$ 259,000 |
| | ===== |
| Funding Sources: | |
| General Fund | \$ 159,000 c. |
| Assessment District Fund | 50,000 |
| Enterprise Funds | 50,000 |
| | ----- |
| | \$ 259,000 |
| | ===== |

- a. Position to be funded from Enterprise funds.
- b. Position paid for from SDIRS (Assmt Dist) Fund.
- c. This amount is equal to what was returned to the Department at Midyear and is therefore a reallocation of existing funds.

The 2.0 FTE deleted from the Finance Department budget as part of the 1989-90 Budget are a lower priority than the above requested positions.

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POLICY ISSUES

The major policy issues deal with the timing of this request and the prioritizations embodied in the recommendations.

In terms of timing, position requests are normally deferred until the Budget process. This is done so that all requests can be ranked in priority order. This request is being taken out of the Budget process because for the most part the General Fund costs will be met by reallocating existing department resources. The required funding augmentation is requested from dedicated sources (assessment district and enterprise funding).

The accelerated timing is also requested at this time in order to facilitate the filling of the proposed positions as close to July 1 as possible. Approval of the positions is required so that the preparation work to be done by the Personnel Department (to establish the positions) and the lead time required to order furniture can be undertaken this fiscal year.

The other policy matter is that the recommendations contained in this report prioritize the areas of Special District Accounting, Cash Management (cash accountability), Financial Systems support, and Accounting management above the areas of revenue collection enforcement (elimination of a Code Enforcement Officer), staff support (elimination of an Account Clerk and downgrading of 2 accounting positions), and the use of consultant services to upgrade the City's Budget system and cost allocation system.

MBE/WBE

There are no goods or services being recommended for procurement so there are no MBE/WBE issues. There are 5.0 FTE being recommended for addition and affirmative action goals will be considered in making appointments to those positions.

RECOMMENDATION

It is recommended that the attached resolution be adopted which adds the following positions to the Department of Finance:

| | |
|---------|-----------------------------|
| 2.0 FTE | Accountant/Auditor III |
| 1.0 FTE | Chief Accountant* |
| 1.0 FTE | Financial Systems Manager* |
| 1.0 FTE | UCIS Financial Coordinator* |

* Actual titles to be determined at a later date.

The cost of these positions (wages, furniture, office supplies) is identified in the Financial Section above. The net impact to the affected funds is summarized below:

1989-90:

No new funding is requested in the current year. The amount restored to the department at Midyear will be sufficient to cover the one-time costs associated with the positions (e.g. furniture, microcomputers, etc.)

1990-91:

General Fund

(\$'s in 000)

\$ 159

General Funds in base budget

159

NET GENERAL FUND augmentation

\$ -0-
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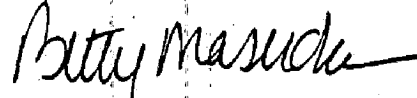
ENTERPRISE FUNDS

\$ 50

ASSESSMENT DISTRICT FUND

\$ 50

Respectfully Submitted,



Betty Masuoka
Director of Finance

Recommendation Approved:

Walter J. Slipe
City Manager

CONTACT PERSON: BETTY MASUOKA
Director of Finance
449-5736

All Districts
April 17, 1990