

DISCUSSION DRAFT
December 15, 2003

CITY OF MINNEAPOLIS
FINANCE DEPARTMENT
BUSINESS PLAN

EXECUTIVE SUMMARY

This Business Plan was developed by the Finance Department Business Planning Team, which consisted of representatives from all areas of the Finance Department. The Planning Team utilized the City of Minneapolis Business Planning Handbook to conduct the process, and the Business Plan was completed in December 2003. This Plan will serve as a guide for the Department for the next five years. Each of the major sections of the Plan is summarized in the following text.

Mission Statement and Primary Business Lines

“We provide financial services that assist our customers in making sound and informed decisions and ensure the City’s financial integrity.”

To fulfill its mission, the Finance Department has the following two Primary Business Lines and their associated Service Activities:

Financial Operations – Provide accurate, timely financial information

- **Revenue and Receivables Management** – Collect and receive revenue and manage receivables
- **Payment Processing** – Pay employees, vendors and other third parties
- **Asset Management** – Manage and preserve assets

Decision Support – Support informed financial and business-related decisions

- **Resource Allocation Support** – Support elected officials in making decisions regarding source and allocation of financial resources
- **Resource Management Support** – Support departments in making decisions regarding management of financial resources

The Finance Department has developed outcome measures for each Business Line, and has developed 20 performance measures that will be reported to the City Council and Mayor. Thirty-four additional performance measures have been identified for use at the management level.

Alignment with City Goals

The Finance Department has reviewed its alignment with City goals and has recognized it has direct influence over a number of City goals.

- We help the City maintain its physical infrastructure by providing financial information and decision support services regarding capital investments in infrastructure.
- We enable the City to consistently deliver high quality services at a good value to its taxpayers by producing financial information and providing policy leadership in areas such as business planning.
- We provide financial information to support financial decisions regarding development initiatives, which aids the City in creating an environment that maximizes economic development opportunities within Minneapolis.
- We strengthen City government by providing timely, accurate, and accessible financial information to managers, policy-makers, and the public, and assisting managers and policy-makers in making sound financial and business decisions.

Significant Trends and Challenges

The Finance Department has identified the following significant trends and challenges that will impact the Department during the next five years:

- **Heightened demand for analysis and decision support** by policy makers and department managers due to significant cuts in state aid, declining community development resources, and the advent of 5-year business planning
- **Improved quality and frequency of external and management information** due to the implementation of new accounting standards (GASB 34) and improved management processes
- **Integration of development finance functions** into the Finance Department
- **Necessary investments in technology infrastructure**, including maintenance and upgrade of our financial information systems
- **Business process improvements** (simplification, automation, or process elimination) to reduce costs and improve customer service

Each of these is closely associated with the significant ongoing challenges that the Department faces in the general areas of **Workforce**, **Communication**, **Information Technology**, and **Service Delivery**. The issues identified in each of these areas are highly interconnected; therefore, addressing these issues will require an integrated approach.

Key Initiatives

The Finance Department has identified the following Key Initiatives at the Enterprise level, Department level, and Business Line level that will be implemented within the next five years:

Enterprise Level

1. Support business plan implementation of City departments
2. Develop strategies to diversify and increase revenues
3. Integrate budget development and business planning
4. Complete CPED – City integration
5. Increase internal audit resources
6. Strengthen accountability for business lines and service activities

Department Level

7. Allocate greater financial and personnel resources to Decision Support business line
8. Train personnel (Workforce Plan)
9. Upgrade information systems (Technology Plan)

Business Line Level: Financial Operations

10. Simplify, automate, or eliminate business processes to reduce costs, improve service, and enable more resources to be allocated to the Decision Support business line
11. Consolidate receivables activities
12. Implement new investment strategy
13. Train department heads regarding financial responsibilities

Business Line Level: Decision Support

14. Update 5-year financial plans to include all City financial resources and demands
15. Incorporate rate models into budgeting and financial planning decisions
16. Develop capital project status reports
17. Simplify and improve the frequency of financial reports to the public
18. Simplify financial procedures and publish on CityTalk

Other Models of Providing Service

During business plan implementation, the Finance Department identified and evaluated other models for providing service. Models included contracting with private or governmental partners, providing self-service capabilities for customers, or offering services to other governments in the following areas:

- Investment management
- Billing and receivables management
- Financial Management Reporting
- Financial systems
- Payroll
- Procurement
- Administration of insurance, claims, and loss prevention

Included for each alternative model are an assessment of the current model and options and a discussion of the outcome of evaluation of each alternative service model. An evaluation timeframe and responsible parties are also identified.

Finance, Workforce, Technology, Equipment and Space Plans

The Finance Department has developed specific plans for each of the following issues:

Finance: The City's Five Year Financial Direction includes \$150,000 in reductions to the growth of Finance Department spending each year from 2005 through 2008. In addition, the Department expects that growth in spending from grants, development projects, internal services funds and enterprise funds will be constrained to 3.5 percent or less. The Finance Plan outlines strategies for meeting these challenges, and includes information on the Department's funding sources and selected resource allocations, lists key initiatives that will impact the Department's budget, and provides a schedule with historical and projected financial information through FY2008.

Workforce: The Finance Department has identified four key workforce issues:

- Trained and developed workforce, which will require increased use of training and improved monitoring of training effectiveness
- Informed workforce, which will require improved communication with Department employees regarding department and citywide issues
- Qualified and diversified workforce, which will require the identification and implementation of effective recruitment practices; and
- Evaluated and motivated workforce, who will require improved performance management measures.

In addition to identifying the four key workforce issues, the department has outlined the challenges within each of these four areas and what actions the department plans to take to address these challenges. These issues are discussed in greater detail in the Workforce Plan.

Technology: Investment in and the continued use of information technology are vital to the success of the Finance Department in achieving its mission and goals. The Department's five-year Technology Resource Plan includes (1) an evaluation of current technology assets, (2) discussion of future project initiatives and priorities, and (3) an implementation timetable for further action. Key issues identified in the Plan include the need for simplification of the Department's complex technology architecture and the need for future investments in (or replacement of) the financial and billing systems, FISCOL and MUPS. The plan recommends the establishment of a Technology Steering Committee to discuss options and address issues of funding, required personnel resources, and a survey of Finance Business Line and customer requirements.

Equipment: Although personal computers, copiers, and customary office equipment are used by most Finance personnel, the Finance Department makes limited use of other equipment. The exception is the Treasury division, which has special equipment requirements for check printing, mail opening and sorting, and cash counting. The attached Equipment Plan includes a current inventory of major equipment including expected remaining useful life and a replacement schedule. It also discusses future trends that may affect the Department's future equipment needs.

Space: The Finance Department underwent a major space consolidation in 2003 in order to improve internal communications, increase the consistency of accounting and financial operational practices across units, and improve service to operating departments. However, the Finance Department still has personnel in 10 locations. The Space Resource Plan identifies current space allocations, planned changes in space, and key trends that may affect future space allocations.

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INTRODUCTION

This Business Plan was developed by the Finance Department Business Planning Team, which consisted of members from all Business Lines within the Finance Department. The Planning Team used the City of Minneapolis Business Planning Handbook to conduct the process, and the Business Plan was completed in December 2003.

The members of the Business Planning Committee were:

Patrick Born, Finance Officer and Chair
Tara Barenok, Management and Budget
Ron Bjork, Risk Management
Jacob Cherucheril, Controller
Chuck Elliott, Controller
David Farmer, Controller
Amy Friedman, Human Resources
LaTonia Green, Controller
Vicky Humphreys, Treasury
Vern Hyvare, Controller
Jack Kryst, Development Finance
Lee Larson, Procurement
Mary Lindahl, Controller
Ray Morales, Treasury
Michael Nguyen, Treasury
Tammy Omdal, Management and Budget
Bert Sletten, BIS
Mike Sunderman, Development Finance
Ellen Velasco-Thompson, Risk Management
Gary Warnberg, Procurement
Craig Watt, Treasury

This Plan is a five-year, mid-range plan that helps the Finance Department align its services with the City's strategic goals. The business planning process assisted the Finance Department in clarifying the mission of the Department, defining primary business lines and the related service activities; listing customers and partners; listing the key performance measures; and describing how resources will be managed to fulfill the mission.

The Business Plan is organized into the following five sections:

- Section One: Department Overview
- Section Two: Primary Business Line Overview
- Section Three: Key Initiatives and Other Models of Providing Service
- Section Four: Department Resource Plans

The following abbreviations are used within the Business Plan:

ACH: Automated Clearing House

AMS: American Management Systems (Licensure of FISCOL & BRASS)

BIS: Business Information Services

BRASS: Budget Reporting & Analysis

CAFR: Comprehensive Annual Financial Report

CPED: Community Planning and Economic Development

CRS: City Reporting System

FISCOL: Financial Information System for the City of Lakes

HRIS: Human Resources Information System

LGA: Local Government Aid

MUPS: Municipal Utilities Packaged Software

OSA: Office of the State Auditor

Piers: Payroll entry and Information System

UB: Utility Billing

WC: Worker's Compensation

SECTION ONE: DEPARTMENT OVERVIEW

DEPARTMENT MISSION STATEMENT

PRIMARY BUSINESS LINES

DEPARTMENT ORGANIZATIONAL CHART

DEPARTMENT ALIGNMENT WITH CITY GOALS

SIGNIFICANT TRENDS AND CHALLENGES IMPACTING THE DEPARTMENT

MINNEAPOLIS FINANCE DEPARTMENT – MISSION STATEMENT

We provide financial services that assist our customers in making sound and informed decisions and ensure the City's financial integrity.

PRIMARY BUSINESS LINES

The Finance Department has two primary business lines:

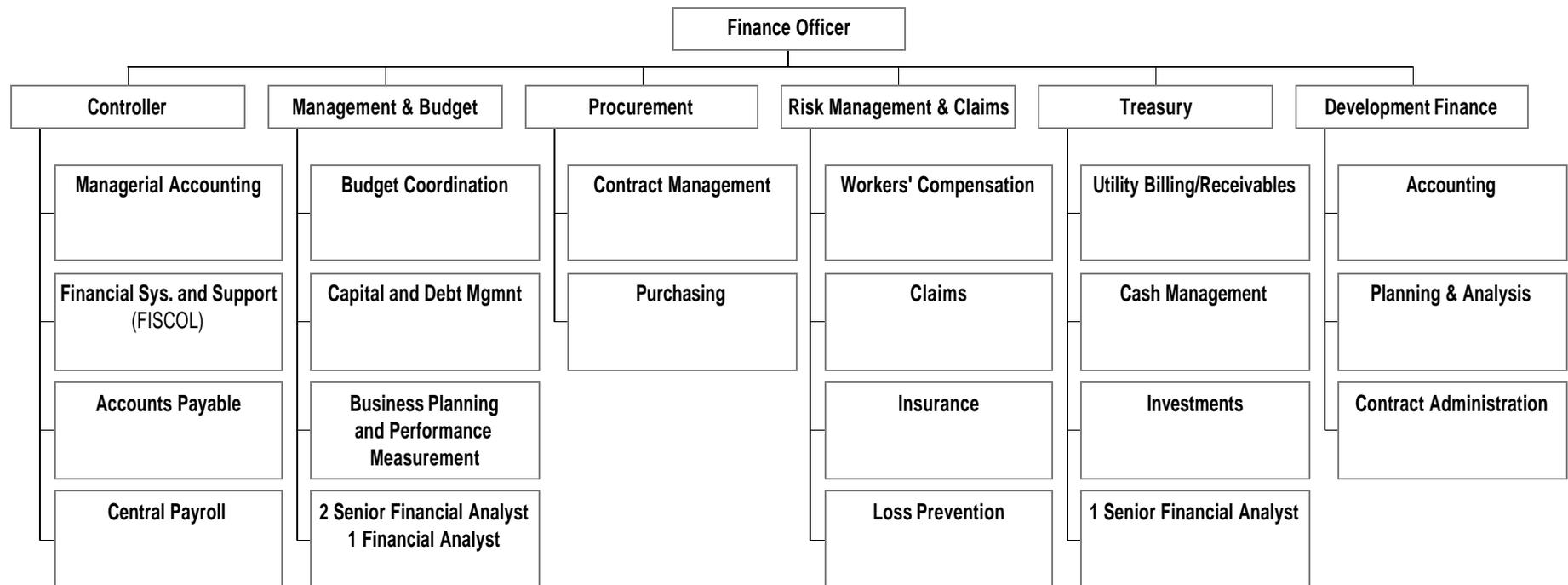
1) Financial Operations – Provide accurate, timely financial information

This business line includes collecting and receiving revenue, managing receivables, paying employees, vendors and other third parties, and managing and preserving assets.

2) Decision Support – Support 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.

City of Minneapolis Finance Department



BUSINESS LINES AND SERVICE ACTIVITIES BY DIVISION

Mission: We provide financial services that assist our customers in making sound and informed decisions and ensure the City's financial integrity							
BUSINESS LINES	SERVICE ACTIVITIES	DIVISIONS					
		Management and Budget	Controller	Development Finance	Procurement	Risk Management	Treasury
Financial Operations Results: Accurate, timely financial information	1. Collect and receive revenue and manage receivables		X	X		X	X
	2. Pay employees, vendors and other third parties		X	X	X	X	X
	3. Manage and preserve assets		X	X	X	X	X
Decision Support Results: Informed financial and business-related decisions	4. Support elected officials in decision-making regarding source and allocation of financial resources	X	X	X			
	5. Support departments in decision-making regarding management of financial resources	X	X	X	X	X	X

DEPARTMENT ALIGNMENT WITH CITY GOALS

The Finance Department Business Lines have direct influence over the following City Goals:

(Goal 2) Maintain the physical infrastructure to ensure a healthy, vital, and safe City.

- **Financial Operations:** Provides financial information relating to investment in physical infrastructure.
- **Decision Support:** Assists in making sound decisions relating to capital investments in physical infrastructure.

(Goal 3) Deliver consistently high quality City services at a good value to our taxpayers.

- **Financial Operations:** Provides financial information to managers and policy makers relating to service activities.
- **Decision Support:** Provides leadership to managers and policy makers in business planning, performance measurement, and resource allocation.

(Goal 4) Create an environment that maximizes economic development opportunities within Minneapolis by focusing on the City's physical and human assets.

- **Financial Operations:** Provides financial information about economic development activities.
- **Decision Support:** Supports managers and policy makers in making sound, informed financial decisions about development initiatives.

(Goal 8) Strengthen City government management and enhance community engagement.

- **Financial Operations:** Provides financial information to managers, policy makers, and the public about City services and operations.
- **Decision Support:** Supports managers and policy makers in making sound financial and business decisions.

The Finance Department Business Lines have indirect influence over the following City Goals:

(Goal 1) Build communities where all people feel safe and trust the City's public safety professionals and systems.

(Goal 5) Foster the development and preservation of a mix of quality housing types that is available, affordable, meets current needs, and promotes future growth.

(Goal 6) Preserve and enhance our natural and historic environment and promote a clean, sustainable Minneapolis.

(Goal 7) Promote public, community and private partnerships to address disparities and to support strong, healthy families and communities.

SIGNIFICANT TRENDS AND CHALLENGES IMPACTING THE DEPARTMENT

In creating this five-year business plan, the Finance Department began with an environmental scan (also known as a SWOT analysis, for Strengths, Weaknesses, Opportunities, and Threats) to identify the trends and challenges that would be most likely to impact its business lines over the next five years. This scan brought to light several opportunities and challenges that the Department currently faces or may face in the future, including:

- **Heightened demand for analysis and decision support** by policy makers and department managers due to significant cuts in state aid, declining community development resources, and the advent of 5-year business planning.
- **Improved quality and frequency of external and management information** due to the implementation of new accounting standards (GASB 34) and improved management processes.

The City of Minneapolis has successfully implemented GASB 34, the wide-ranging reform of accounting standards for state and local governments. The current challenge for the City, and for the Finance Department in particular, is to integrate GASB 34 into the City's financial processes and reporting practices. The City's financial management has become a high priority for the Mayor and City Council. The Finance Department has responded to this priority with a realignment of resources to support the City's elected leadership in financial planning and decision-making.

- **Integration of development finance functions** into the Finance Department.

The creation of the Community Planning and Economic Development (CPED) department requires Finance to transition employees, create an organization to support CPED's operations and management, and meld financial and related business processes. Although the process of transitioning finance-related CPED employees into the Finance Department has begun, significant work remains in this task and in the larger task of organization and alignment.

- **Necessary investments in technology infrastructure**, including maintenance and upgrade.

Service delivery and the ability to meet Finance Department customer expectations are highly dependent upon software systems, equipment and technology infrastructure. Over time, the technology infrastructure of the Department has increased in complexity due to the rapid pace of technological change, a lack of financial resources, and the incompatibility of differing vendor solutions. In some cases, this increased complexity has required the use of workaround procedures, which can cause inefficiencies in the long run. Although these processes, systems, and equipment are adequate for current levels of demand, they will not be sufficient to accommodate anticipated increases in customer demand. The issues and challenges presented by current technology are discussed at length within the Department's Technology Resource Plan.

- **Business process improvements** (simplification, automation, or elimination) to reduce costs and improve customer service.

Finance continually seeks to improve department efficiency in order to reduce costs and improve customer service. In particular, Finance will investigate means to simplify, automate, or eliminate business processes. Potential initiatives include conducting a UB ACH campaign, developing an online payment system, and increasing parking E-payment.

Each of these is closely associated with the significant ongoing challenges that the Department faces in the areas of Workforce, Communication, Information Technology, and Service Delivery. A discussion of these highly interconnected issues follows.

Workforce

The Finance Department workforce is our greatest asset. Our employees are experienced and dedicated to the department and to the City. However, this strength has been undermined by ongoing retirements and staffing reductions due to LGA cuts. In particular, our resources for financial analysis to support budgeting, business planning, and routine management decisions were reduced in order to preserve basic financial integrity and controls. These losses have reduced the overall knowledge base within the department and have resulted in service delivery issues.

The losses associated with these retirements and staffing reductions are exacerbated by a number of factors. First, the department has failed to adequately manage employee cross-training, knowledge transfer, and succession planning. In addition, the department has under-utilized technology resources that could offset staffing reductions. Although it is uncertain whether further reductions in staffing will be necessary in the next five years, it is inevitable that the department will lose additional employees due to retirement. Therefore, it is essential that the department address these issues.

Independent of the losses incurred due to retirements and staffing reductions, the department has had difficulty meeting current staffing needs. In particular, it has been difficult to recruit multilingual employees and temporary employees. There has also been a lack of qualified applicants to fill certain positions.

The department is challenged to rebuild our capacity by simplifying processes and procedures. The Finance Department has developed a Workforce Plan that seeks to address these and other workforce issues. The Workforce Plan can be found on page 42 of the Business Plan.

Communication

Intra- and inter-departmental communications issues remain. Poor intra-department communication results in inconsistent provision of information and application of policies. Inadequate communication with other departments leads to a lack of understanding of business and budget processes, under-utilization of available resources, and confusion regarding when Finance should be involved in business and budget processes. Both types of communications issues challenge department efficiency, productivity and cohesiveness, and compromise overall service delivery.

The Finance Department has recently consolidated its personnel to 10 primary locations, and will have completed the process by the end of 2003. While it is hoped that this will facilitate communications both within the department and with our customers, the lack of physical proximity is an ongoing challenge. The business planning process will seek to identify means by which intra- and inter-department communications can be improved. In particular, Finance will explore the use of existing information technology resources to address this issue.

Information Technology

Although existing information technology resources are considered a departmental strength, these resources are under-utilized by department employees and customers. In general, this under-utilization results from a lack of customer and employee knowledge regarding available technology. In addition, the future implementation of technology such as 3-1-1 will present the department with opportunities to enhance efficiencies and improve communications.

Existing information technology resources can be used to address many of the service delivery issues described above, including decreased staffing levels and communications issues. The Finance Department will seek to increase the use of these resources by both employees and customers in order to meet customer expectations through process improvements and increased user-friendliness.

Service Delivery

Service delivery issues have been discussed in several of the preceding sections, including Workforce, Communication, and Information Technology. In general, the deficiencies noted above – particularly the staffing losses described under Workforce – have affected the relationship that Finance has with its customers, and reduced customer trust in our ability to provide the quality and quantity of financial services and information that they require.

In addition, service delivery issues have arisen from the department's provision of non-standardized services for individual customers. In the past, the department has continually adapted its services in order to meet the needs of each customer. Given our current resource limitations, it is impossible to continue to provide such non-standard services. Therefore, the business planning process will be used to better define the scope and services of the Finance Department.

As with every department, financial resources will continue to influence our ability to deliver services. The Finance Department will use the business planning process to identify ways to increase the efficiency and cost-effectiveness of its services. This is particularly important given the current budget environment, as Finance must continue to provide cost-effective services in order to remain competitive relative to external providers.

These service delivery issues are of utmost concern to the Finance Department. The provision of high quality, cost-effective services is the key challenge that the business planning process will seek to address.

SECTION TWO: PRIMARY BUSINESS LINE OVERVIEWS

PRIMARY BUSINESS LINE DEFINITIONS

LIST OF SERVICE ACTIVITIES

IDENTIFICATION OF MARKETS, CUSTOMERS AND THEIR EXPECTATIONS

RELATIONSHIP TO OTHER DEPARTMENTS' AND AGENCIES' BUSINESSES

KEY PERFORMANCE MEASURES

FINANCIAL OPERATIONS BUSINESS LINE – DEFINITION

The definition of this business line is:

Provide 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.

FINANCIAL OPERATIONS BUSINESS LINE – SERVICE ACTIVITIES

The Financial Operations Business Line contains the following service activities:

1. Revenue and Receivables Management – Collect and receive revenue and manage receivables.

The Finance Department is the lead department responsible to collect and receive revenue and manage receivables for the City of Minneapolis. In addition, the Department is responsible for managing relationships with banking, credit and investment institutions. The major functions of revenues and receivables management include the following:

- Determine appropriate charges billed to customers
- Monitor and collect revenues from various funding sources
- Maintain cash management policies and procedures
- Provide oversight of related processes and procedures
- Maintain the financial systems used to support collection and receivables processes
- Pursue the City's subrogation interests

2. Payment Processing – Pay employees, vendors and other third parties

The Finance Department is the lead department responsible to pay employees, vendors, and other third parties. This service activity includes verifying and processing payments to employees, vendors, and other third parties, and maintaining the financial systems used to process payments. The major functions of payment processing include the following:

- Process approved invoices and payments to vendors
- Collect timesheet data for employees, verify, and make entry into the Human Resources Information System (HRIS) to process payment to employees
- Maintain the financial systems used to process payments
- Maintain the financial databases that track re-employment claims, employment medical services, and tort claims

3. Asset Management – Manage and preserve assets

The Finance Department has either a direct responsibility or an assisting role in the management and preservation of City assets. The Finance Department is responsible for investing and concentrating cash and the disposition of property, land, and other assets, as well as work related to the management of tax increment districts, development contracts, and loan agreements. The major functions of asset management include the following:

- Manage development contracts and loan agreements
- Manage tax increment finance districts
- Invest cash and maintain appropriate collateral levels
- Enforce compliance with loss prevention activities and claims administration

FINANCIAL OPERATIONS BUSINESS LINE – IDENTIFICATION OF MARKETS, CUSTOMERS AND EXPECTATIONS

The primary customers of this business line are City departments and agencies in the provision of service delivery to support their internal operations. This business line provides the administrative support infrastructure and maintains the processes and procedures through which its customers interact. Furthermore, customers defined within this business line are broad base and not confined only to internal operations. Operational areas within this business line also provide services to property owners throughout the City in the form of utility billing, phone and counter service, and work order management. Services to customers within this business line can also include vendors, claimants, other government agencies, and businesses.

Markets, Expectations and Demand

Service delivery within the Financial Operations business line is dictated by changing customer expectations as defined in the marketplace by private businesses and other organizations. As discussed, the customer base for this business line is broad and expectations and demands on service delivery differs according to the type of customers with which this business line interacts. For example, a property owner interacting with the utility billing operations will have different expectations and demands than an internal customer department interacting with payroll or accounts payable.

While the expectations and demands will differ according to customer type, there are several themes that resound when analyzing the ongoing and future challenges in this operating line. At the forefront is the demand for increase efficiency through workflow management. Reduction in paperwork, signoffs and simplification of administrative rules and processes will allow customers to spend less time meeting internal requirement and allow more time providing services to their customers.

Access to information both at a detailed and rollup level is constant and likely to increase, as demand for information becomes immediate to both internal and external customers. The advent of web services and delivery of electronic information allows customers to expect that data is more readily available. Limitations inherent in the marketplace have been discarded as customers anticipate and expect ongoing improvements in their ability to interact with this business line. From payroll/timecard submittal to accessing utility account information, to submitting vendor invoices

and payments electronically, the demand for technology improvement will present an ongoing challenge to the Financial Operations business line. Private sector innovation and improvements will serve as benchmarks for customer expectations and demands of the Financial Operations business line.

In addition to the factors discussed above that have or will impact customer demand over the next five years, there are several factors that will impact the Finance Department's ability to address this demand. A few of the major factors are outlined below:

Aging Technology

Service delivery and the ability to meet customer expectations within this business line are highly dependent upon software systems, equipment and the technology infrastructure to support growing customer demand. The aging equipment and software systems currently in place will not be sufficient to accommodate customer expectations. The issues and challenges presented by current technology are discussed in the Technology Resource Plan.

Administrative Rules and Procedures

An overburdening set of administrative rules and procedures will also challenge the Financial Operations business line's ability to meet customer demands and expectations. While internal controls and procedures are required to safeguard assets, the complexity presented by current practices will make it difficult to meet customer expectation of efficiency and simplicity. This business line will be challenged to review current processes and eliminate steps that are non-valued added, simplify processes where possible and automate and empower customer interaction with Financial Operations.

FINANCIAL OPERATIONS BUSINESS LINE – RELATIONSHIP TO OTHER DEPARTMENTS’ AND AGENCIES’ BUSINESSES

The primary function of the Financial Operations business line is to support internal City departments and its agencies. Financial Operations not only considers City departments and agencies to be their customers but the business line also shares a partnership role with departments and agencies in the indirect provision of service delivery to City residents and businesses. While Financial Operations partners with its customers to meet their demands and expectations, the business line is reliant upon key partnerships with the following internal and external partners.

Internal Partners:

- **Business Information Services** – The business applications used by Financial Operations requires technical and systems support by BIS. BIS will continue to be a key partner in supporting Financial Operations’ ability to serve its customers by providing ongoing receivables, payment and asset management functions.
- **Human Resources**- The Finance Department and Human Resources form a key partnership in regards to our second service activity: Pay employees, vendors and other third parties. Finance and Human Resources work hand-in-hand to ensure employees are paid timely and accurately with proper cost accounting data. In addition, the two departments work closely to maintain the proper workflow between the City’s financial and human resource systems.

External Partners:

- **Vendors and Regulatory Agencies** – In the provision of its services, the Financial Operations business line relies on relationships and partnerships with many of its vendors including software vendors, consulting and auditing firms, financial institutions and regulatory agencies. The latter group encompasses non-profit, state and federal agencies. The delineation between vendors and regulatory agencies as partners is to recognize the ability of Financial Operations to affect who its partners are. Vendors can be changed while regulatory agencies cannot. Operating areas within this business line are affected by mandates of regulatory agencies and must partner with these institutions in the delivery of services.

FINANCIAL OPERATIONS BUSINESS LINE – KEY PERFORMANCE MEASURES

The Finance Department has identified the following outcome measures and performance measures for the Financial Operations Business Line:

Outcome Measures – Financial Operations Business Line

- A. Ratio of revenue written off to revenue earned

-
- B. Percent of customer telephone calls responded to within 30 seconds(not less than 80%)
 - C. Percent of payment penalties paid to vendors
 - D. Percent of investment portfolio performance in excess of 1-year Treasury benchmark
 - E. Resolution of tort claims denied and paid within 90 days of filing (Risk – Goal 90%)

1. Revenue and Receivables Management - Performance Measures

To report to Mayor/City Council:

- 1a. Amount billed (Treasury/Other Departments)
- 1b. Amount collected (Treasury/Other Departments)
- 1c. Aged receivables (30/60/90+days)
- 1d. Average days outstanding
- 1e. Ratio of revenue earned to revenue written off
- 1f. Percent of customer telephone calls responded to within 30 seconds (Utility Billing)

For Management Purposes:

- 1g. Percent of water meters read on a monthly basis (goal 95%)
- 1h. Percent of accounts billed within 4 working days of meter reading (goal 100%)
- 1i. Percent of inactive accounts assessed to the property within 18 months of final billing (goal 98%)
- 1j. Percent accuracy rate of Central Counting Facility vault balance
- 1k. Percent of revenues collected electronically
- 1l. Unit cost per utility invoice
- 1m. Unit cost per active account
- 1n. Percent of revenue collected electronically
- 1o. Percent of internal/external billings processed in the month that revenue was earned
- 1p. Average number of days between receipt of payment and processing of cash receipt

2. Payment Processing - Performance Measures

To report to Mayor/City Council

- 2a. Percent of employees paid electronically
- 2b. Percent of disbursements paid electronically
- 2c. Percent of total payments paid as penalties to vendors

For Management Purposes:

- 2d. Labor JV's processed within 14 days of suspense
- 2e. Percent of payroll payments issued without corrections
- 2f. Percent of all valid transactions authorized, approved and paid within 30 days of invoice receipt
- 2g. Percent of vendor statements that are reconciled monthly

3. Asset Management - Performance Measures**To report to Mayor/City Council**

- 3a. Percent of investment portfolio performance in excess of 1-year Treasury benchmark
- 3b. Resolution of tort claims denied and paid within 90 days of filing (Risk -Goal 90%)
- 3c. Average cost of a WC closed medical only and lost time claim file. (Risk-Goal 100%)
- 3d. Percent of departments implementing loss control strategies (Risk – Goal 100%)
- 3e. Percent of department heads with a loss prevention rating scale on performance evaluations(Risk – Goal 100%)

For Management Purposes:

- 3f. Percent of accuracy of the annual cash forecast to actual cash position
- 3g. Percent of bank and trust reconciliation's completed within 30 days of period end
- 3h. Estimated value of approved post-employment health insurance committee reviews (Risk – Goal 100%)
- 3i. Percent of departments completing annual self-audits that measure compliance with State & Federal regulations (Risk – Goal 100%)
- 3j. Number of employee training sessions conducted on cost reduction & claims administration (Risk – 100%)

- 3k. Percent of banking fees to average investment balance
- 3l. 100% on-time submission of Tax Increment Disclosure Reports to OSA (1x per year).
- 3m. Percent of capitalizable assets recognized in the financial system
- 3n. Percent of assets capitalized in the month the capital expense was incurred

DECISION SUPPORT BUSINESS LINE – DEFINITION

The definition of this business line is:

Support informed financial and business-related decisions.

This business line includes supporting elected officials in decision-making regarding source and allocation of financial resources, and supporting departments in decision-making regarding management of financial resources.

DECISION SUPPORT BUSINESS LINE – LIST OF SERVICE ACTIVITIES

The Decision Support Business Line contains the following service activities:

1. Resource Allocation – Support elected officials in decision-making regarding source and allocation of financial resources.

The Finance Department supports the elected officials decision-making regarding source and allocation of resources. The Finance Department has the responsibility to ensure that elected officials are informed about the City's current and forecasted financial condition and the impact decisions will have on financial condition. The major functions of resource allocation include the following:

- Complete and present the Comprehensive Annual Financial Report (CAFR)
- Complete and present quarterly financial reports, including status of budget compliance
- Develop and lead annual budget process for the City
- Provide input on impact budget amendments will have on financial condition and annual budget
- Develop long-term financial plans to guide decision-making
- Maintain budget system to assist with management of data
- Maintain financial system

2. Resource Management – Support departments in decision-making regarding management of financial resources.

The Finance Department supports City departments in decision-making regarding collection and use of resources. This includes ensuring the collection and proper use of resources in delivery of City services. The Finance Department provides support to the departments by keeping them informed on current status of collection, claims and use of department financial resources, assisting them with procuring goods and services and managing related contracts, and helping them to analyze financial impact of decisions or recommendations they are considering. The major functions include the following:

- Assist departments in procurement of goods and services
- Assist departments in management of their contracts

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- Assist departments in development of annual budget recommendation to the elected officials
 - Develop and maintain financial management policies which guide departments' decision-making
 - Complete and present monthly financial reports to departments
 - Analyze financial impact of decisions or recommendations (i.e., cost benefit analysis)
 - Establish standards for and the development of departmental and City business plans
 - Maintain a chart of financial accounts
 - Assist departments in their loss prevention work and resolution of their claims

DECISION SUPPORT BUSINESS LINE – IDENTIFICATION OF MARKETS, CUSTOMERS AND EXPECTATIONS

The primary customers of this business line include the Mayor, City Council, City department and agency management, bond rating agencies, Government Finance Officers Association (GFOA), the State Auditor's Office and taxpayers in Minneapolis. Additional customers include vendors and the media.

Customer satisfaction level is generally measured by maintenance of the City's strong credit rating, continued receipt of financial reporting and budgeting awards from the Government Finance Officers Association (GFOA), and a qualified auditors opinion regarding the City's annual financial statements.

Market Expectations and Demand

In delivery of decision support, in some cases the Finance Department is the sole provider of the service for the City but in many cases the department is working in cooperation with other City departments. For example, in the areas of risk management and procurement, the City is the sole provider of these services. The Finance Department also has certain tasks for which it has sole responsibility. One example of this is the annual financial report.

The department anticipates **continued demand for improved financial decision support**. This demand will be greatest in the areas of Public Works and the new Community Planning and Economic Development department. Both of these departments are in the process of making significant operational changes and improvements and are demanding more meaningful and timely financial information. The Mayor and City Council also are asking for the Finance Department to provide more comprehensive long-term financial planning information to better inform their current decisions. The Finance Department must work to more fully integrate the impact of changes resulting from implementation of GASB 34 to improve how the City prepares its budget and how it presents financial results during the year.

The **major trends or factors that will change demand for decision support** over the next five-years are:

Budget Pressures. We expect that significant budget pressures, including demands on the property tax combined with decreasing revenue and grant opportunities, will continue. The increased budget pressures will require a corresponding increase in the need for financial information in order to make the most responsible and financially astute decisions.

Business Planning. The City's trend towards implementing five-year business plans for each city department will create more demand for financial information as well.

GASB 34 Requirements. The increased financial information needed to comply with GASB 34 requirements will require enhanced decision support resources.

The **major barriers to meeting the demand for improved decision support** will be how the Finance Department responds to its own and possible future reductions to resources (budget). The department eliminated nineteen positions in 2003 in response to cuts to Local Government Aid. The Finance Department must rebuild and change how work is accomplished given fewer staff resources. The department must reach an appropriate balance between resources dedicated to its two business lines: Financial Operations and Decision Support. This balance must be achieved by improving efficiency of operations. This will mean lifting technology barriers and better planning for regular turnover in staff positions.

DECISION SUPPORT BUSINESS LINE – RELATIONSHIP TO OTHER DEPARTMENTS’ AND AGENCIES’ BUSINESSES

The primary function of the Decision Support business line is to provide support for departments and elected officials in making informed financial and business-related decisions. While Decision Support primarily partners with department management and elected officials, the following also are key partners.

Internal Partners:

- **Business Information Services (BIS)** – BIS provides the systems that allow Decision Support to collect and analyze financial information.
- **Human Resources (HR)** – HR provides critical information regarding business planning, cost projections, workforce planning, and staffing initiatives.
- **City Attorney’s Office (CAO)** – CAO provides legal guidance on policies and procedures for the management of the city’s financial resources.

External Partners:

- **Other governmental jurisdictions** – Other governmental jurisdictions provide important information about successful strategies and legal mandates. These governmental jurisdictions include the State of MN Legislature, Hennepin County, Metropolitan Council, and Federal Government.
- **Media** – The Media provides exposure of the City’s key decisions regarding financial resources.
- **Rating Agencies** – The Rating Agencies evaluate the City’s overall financial health.

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- Government Financial Officers Association (GFOA) – GFOA is a professional organization that benchmarks financial standards in the public sector and recognizes outstanding performance.

DECISION SUPPORT BUSINESS LINE – KEY PERFORMANCE MEASURES

The following outcome and performance measures have been identified for the Decision Support Business Line:

Outcome Measures – Decision Support Business Line

- A. Present a balanced budget within the scheduled budget timeframes
- B. Secure a positive credit rating from the Rating Agencies for General Obligation Bonds
- C. % of completed Fund Plans within the scheduled timeframes
- D. % of completed City Dept. Business Plan activities within the scheduled timeframes

1. Resource Allocation Support - Performance Measures

To report to Mayor/City Council:

- 1a. Credit rating for City general obligation bonds
- 1b. Government Finance Officers Association (GFOA) Certificate of Achievement for Excellence in Budgeting
- 1c. Government Finance Officers Association (GFOA) Certificate of Achievement for Excellence in Financial Reporting
- 1d. Receipt of an unqualified audit opinion

For Management Purposes:

- 1e. Date of submission of CAFR to GFOA (Goal - June 30th in 2004, earlier beginning in 2005)
- 1f. Date of submission of OSA compliance report (Goal - June 30th in 2004, earlier beginning in 2005)
- 1g. Percent of quarterly reports available within 45 days of quarter end

2. Resource Management Support - Performance Measures

To report to Mayor/City Council

- 2a. Percent of total General Fund revenue recognized (actual) compared to original budget projection (Goal: 98% to 105%)
- 2b. Percent of departments with an up-to-date business plan that is consistent with the citywide business planning model

For Management Purposes:

- 2c. Percent of monthly reports prepared 3 business days after scheduled month close
- 2d. Percent of Finance Department's work plan completed on time
- 2e. Financial plans and other information available for budget development based on original budget development schedule
- 2f. Percent of time procurement contracts are turned around in 24 hours (goal=99%)
- 2g. Percent of formal contract bids completed with Council Approval within an average of 30 days of initial solicitation
- 2h. Number of Internal Service funds with developed and implemented cost recovery models

SECTION THREE: KEY INITIATIVES AND OTHER MODELS OF PROVIDING SERVICE

KEY INITIATIVES

ASSESSMENT OF OTHER MODELS OF PROVIDING SERVICE

KEY INITIATIVES

The following key initiatives have been identified by the Finance Department for implementation over the next five years. These initiatives have been organized into Enterprise-level initiatives, Department-level initiatives, and Business Line-level initiatives. A more detailed explanation of each initiative follows the summary list of initiatives below.

Enterprise-level Key Initiatives:

1. Support business plan implementation of City departments
2. Develop strategies to diversify and increase revenues
3. Integrate budget development and business planning
4. Complete CPED – City integration
5. Increase internal audit resources
6. Strengthen accountability for business lines and service activities

Department-level Key Initiatives

7. Allocate greater financial and personnel resources to Decision Support business line
8. Train personnel (Workforce Plan)
9. Upgrade information systems (Technology Plan)

Business Line-level Key Initiatives

Financial Operations:

10. Simplify, automate, or eliminate business processes to reduce costs, improve service, and enable more resources to be allocated to the Decision Support business line
11. Consolidate receivables activities
12. Implement new investment strategy
13. Train department heads regarding financial responsibilities

Decision Support:

14. Update 5-year financial plans to include all City financial resources and demands
15. Incorporate rate models into budgeting and financial planning decisions
16. Develop capital project status reports
17. Simplify and improve the frequency of financial reports to the public
18. Simplify financial procedures and publish on CityTalk

ENTERPRISE-LEVEL KEY INITIATIVES:**1. Support business plan implementation of City departments**

Priority:	2004
Description:	The Finance Department is a key resource for departments developing and implementing business plans. As such, we are committed to meeting the analysis and decision support needs of policy makers and department managers throughout business plan implementation.
Resource Implications:	Will require allocation of Decision Support business line personnel.
Staff Lead(s):	Director – Management and Budget, Controller, Director – Business Planning, Director- Development Finance

2. Develop strategies to diversify and increase revenues

Priority:	2004
Description:	Develop revenue strategies for transportation infrastructure, community development, and other City businesses as directed by the Mayor and City Council.
Resource Implications:	Will require allocation of Decision Support business line personnel; highly dependent on Council approval of additional analytical personnel (Mayor recommended).
Staff Lead(s):	Director – Management and Budget, Director-Development Finance

3. Integrate budget development and business planning

Priority:	2005
Description:	The business planning process is closely aligned with budget development. The business plan addresses how a department will utilize its resources to achieve its goals, and includes specific plans for resources including a finance plan, workforce plan, technology plan, and equipment and space plan, each of which have an impact on a department's annual budget. The Finance Department is working to identify ways to better integrate these two processes.
Resource Implications:	Will require allocation of Decision Support business line personnel.
Staff Lead(s):	Director – Management and Budget, Controller, Director – Business Planning

4. Complete CPED – City integration

Priority:	2004
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Description: The creation of the Community Planning and Economic Development (CPED) department requires Finance to transition employees, create an organization to support CPED's operations and management, and meld financial and related business processes. Although the process of transitioning finance-related CPED employees into the Finance Department has begun, significant work remains in this task and in the larger task of organization and alignment.

Resource Implications: No new resources required.

Staff Lead(s): Director – Development Finance

5. Increase internal audit resources

Priority: 2006-2008

Description: Create a long-term funding and operational plan to develop an internal audit capability. The City currently has one (1.0) FTE dedicated to the internal audit function.

Resource Implications: Additional resources must be allocated to support an expansion of 5-8 FTE.

Staff Lead(s): Director – Internal Audit (Board of Estimate), Controller

6. Strengthen accountability for business lines and service activities

Priority: 2004-2005

Description: Develop reporting and review processes for departments to account for performance and implementation of business plans.

Resource Implications: No new resources required.

Staff Lead(s): Director – Business Planning

DEPARTMENT-LEVEL KEY INITIATIVES:

7. Allocate greater financial and personnel resources to Decision Support business line

Priority: 2005, continuing through 2008

Description: As with many City departments, Finance has experienced staffing reductions due to LGA cuts and ongoing retirements. In order to preserve basic financial integrity and controls, reductions have been made in financial analysis resources, which support budgeting, business planning, and routine management decisions. In order to increase our analytical capacity, Finance is working to identify business process improvements that will permit the department to allocate greater financial and personnel resources to the Decision Support

business line.

Resource Implications: Requires reallocation of resources from Financial Operations business line to Decision Support business line, as well as upgrading of skills.

Staff Lead(s): Controller, Director – Treasury, Director – Management and Budget

8. Train personnel

Priority: 2004, continuing through 2008

Description: The Finance Department workforce is our greatest asset. In order to maintain that asset, Finance will increase the effective use of City-provided training, as well as design department-specific training. This and other workforce-related action items are outlined in the Workforce Plan.

Resource Implications: Department's budget must allocate at least \$100,000 to support training initiatives (2003 level)

Staff Lead(s): Training Coordinator (to be appointed)

9. Upgrade information systems

Priority: 2004, continuing through 2006

Description: The Finance Department's technology infrastructure will require both maintenance and upgrade within the next five years. The Technology Plan includes a discussion of future project initiatives and priorities, and provides an implementation timetable for further action.

Resource Implications: The cost and funding plan for this initiative will be developed by the Technology Steering Committee in 2004. Some cost estimates are included in the Technology Resource Plan.

Staff Lead(s): Controller, Director-Treasury, Director-Management and Budget

FINANCIAL OPERATIONS BUSINESS LINE KEY INITIATIVES

10. Simplify, automate, or eliminate business processes to reduce costs, improve service, and enable more resources to be allocated to the Decision Support business line

Priority: 2004

Description: Finance continually seeks to improve department efficiency in order to reduce costs and improve customer service. In particular, Finance will investigate means to automate, eliminate, or simplify business processes. Potential initiatives include conducting a UB ACH campaign, developing an online payment system, and increasing parking E-payment. It is the goal of the department that the efficiency gains from such process improvements will enable more resources to be allocated to the Decision Support business line.

Resource Implications: Requires 1 FTE analytical support staff, i.e., and management/financial analyst.
Staff Lead(s): Division Directors

11. Consolidate receivables activities

Priority: 2004
Description: The Finance Department plans to consolidate all receivables activities under a central Citywide receivables function in order to maximize receivables management and collection effort.
Resource Implications: Requires 1 FTE analytical support staff, i.e., and management/financial analyst. May require system development work to integrate disparate AR systems. Cost is unknown but estimated to be less than \$100,000.
Staff Lead(s): Director, Treasury

12. Implement new investment strategy

Priority: 2004
Description: It is the goal of the Finance Department to enhance the City's investment yield through the extension of core holding and use or repurchase agreements for cash flow.
Resource Implications: No additional resources required implementing this initiative.
Staff Lead(s): Director, Treasury

13. Train department heads regarding financial responsibilities

Priority: 2004
Description: During 2004, the department will begin to formally train customer departments in order to gain a greater understanding of both their own financial responsibilities as well as a broader understanding of the City's financial picture as a whole.
Resource Implications: Can be completed within existing resources.
Staff Lead(s): Controller

DECISION SUPPORT BUSINESS LINE INITIATIVES**14. Update 5-year financial plans to include all City financial resources and demands**

Priority:	2004
Description:	In January 2003, the City of Minneapolis adopted a five-year plan on how the City plans to allocate property tax and general city revenue. This plan has provided City departments with direction on resource levels for preparing five-year business plans for their departments. Future improvements to the five-year planning process will focus on better integration and coordination between what is now separate multi-year resource plans, by type of revenue.
Resource Implications:	Can be completed with existing resources.
Staff Lead(s):	Director-Management and Budget

15. Incorporate rate models into budgeting and financial planning decisions

Priority:	2004
Description:	Using activity based costing software acquired in 2003, the Finance Department will develop rate models to support 2005 budget development, including a general fund overhead rate, internal service fund rate models, cost allocation for regulatory service business, and a review of the City's management fee for the Library and Park Boards.
Resource Implications:	This initiative may require the creation of an Accounting Manager level position necessary to dedicate themselves solely to this endeavor. An additional investment may be necessary for an enterprise-level Activity Based Costing software package.
Staff Lead(s):	Controller

16. Develop capital project status reports

Priority:	2004
Description:	The City has been unable to produce a required, program-wide capital projects status report for over five years. This inability is due to many reasons: financial system constraints; a cumbersome, disjointed internal process and a lack of communication between project managers and Finance staff. The Finance department has already begun preparing a report that will be presented in early 2004. In addition, a consultant has been engaged to help prepare the report and write recommendations to improve the departments ability to more easily prepare a capital project status report on a routine basis.
Resource	In the short-term, this initiative will require the use of a consultant for

Implications: approximately \$40,000. Based upon the consultant's recommendations, the longer-term costs may include hardware/software investments, additional consulting fees and interdepartmental staff time.

Staff Lead(s): Controller

17. Simplify and improve the frequency of financial reports to the public.

Priority: 2005

Description: Citizen level financial summaries will be prepared for budget/business plans and the annual financial reports. These reports will be made available on the City's web site and in limited quantities in printed form.

Resource Implications: No additional resources are necessary.

Staff Lead(s): Controller, Director-Management and Budget

18. Simplify financial procedures and publish on CityTalk

Priority: 2004

Description: Finance policies and procedures will be published in CityTalk.

Resource Implications: No additional resources are necessary.

Staff Lead(s): Director-Procurement, Contracts Manager, Controller

ASSESSMENT OF OTHER MODELS OF PROVIDING SERVICE

During business plan implementation, the Finance Department will identify and evaluate other models to provide service. Models may include contracting with private or governmental partners, providing self-service capabilities for customers, or offering services to other governments in one or more of the following areas:

Investment management

- **Assessment of current models / options:** The Finance Department has two distinct models to provide investment services: active investment management function within the Department, or contracting out the services to external money managers, including other local entities such as Hennepin County. Presently, Finance staff and five external money managers direct the City's investment portfolio, which is divided into short- and longer-term investments. Finance staff manages the short-term portfolio consisting of operating cash and bond proceeds, while the five money managers are responsible for a longer duration portfolio benchmarked to the Merrill Lynch 1-3 and 1-5 year indices.
- **Evaluation timeframe:** During FY 2003, the department evaluated the benefits of a City/County collaborative investment effort. The following criteria were considered: City staff time and resources, cost, portfolio performance, risk, and diversification.
- **Other considerations:** Based on the Department's evaluation with Hennepin County, the decision to outsource the investment function to the County was not deemed beneficial at the time. However, this decision does not preclude the opportunity to collaborate with the County on future investment management functions. With the exception of the MCDA Trust Portfolio, Minnesota Statute 118 (MS 118), and the City's investment policy guide all remaining investments.
- **Outcome of the evaluation of the alternative service model(s):** The evaluation of using external money managers is an ongoing function and responsibility of the Financial Operations business line.
- **Who will help complete this task:** Regardless of the service provision model, the evaluation criteria previously identified will continue to be at the forefront of the decision-making process; consequently, current personnel involved in these functions will provide input to the assessments.

Billing and receivables management

- **Assessment of current models / options:** Presently, billing and receivables management is dispersed throughout the City and resides in multiple departments. With the exception of utility billing, where Finance manages this directly, other City departments have direct responsibility for managing their originating receivables. Finance is involved only in the collection, recovery, and write-off efforts. While the current service model is effective, there is room for improvement. Several options exist to either consolidate this overall function under Finance, outsource certain components of the receivables management process from billing to receipting to collections, or completely outsource the entire function. Opportunities also exist for the Department to examine the competitiveness of its lock box receipting function versus private sector equivalent.
- **Evaluation timeframe:** During FY2004 and FY2005, the Finance Department will reevaluate the existing billing and receivables management function Citywide.

- **Other considerations:** An evaluation of alternative service models will require a thorough cost benefit analysis including adopting an activity-based costing model to this function.
- **Outcome of the evaluation of the alternative service model(s):** The analysis will allow for a baseline comparison of the City's billing and receivables function versus those offered elsewhere. Moreover, the Finance Department will need to consider revising the City's current method of recognizing revenue on cash versus accrual basis. The latter accounting method recognizes revenue when earned and often inflates revenue versus the actual receipts collected. While both methods meet GAAP standards, the cash basis is a conservative approach and tends to minimize the administration of the collection process. Based on the outcome of this analysis, the Department may consider expanding and selling the services to other municipalities in an effort to generate addition revenue.
- **Who will help complete this task:** The Financial Operations business line will direct the assessment of options.

Financial systems

- **Assessment of current models / options:**
 - Upgrading to web-based version of current system
 - Issuing an RFP to explore purchasing a different system
 - Explore an ASP (Application Service Provider) option
 - Explore Utility Based Computing
 - Establishing partnerships with other municipalities and government agencies.
- **Evaluation timeframe:** Most of the decisions will be made in 2004 with implementation or conversion to take place in o mid-2005 (MUPS) and start fiscal year 2006 on a new FISCOL.
- **Other considerations:** Total costs and the City's ability to pay for a new system must be considered. The additional cost, staff-time, planning and stress of buying a new system outright must be weighed against upgrading the current system.
- **Outcome of the evaluation of the alternative service model(s):** Because it is expected that procuring a new financial system will be more costly than upgrading the current one; the business reasons for switching must be very compelling, i.e., we must be able to realize significant future savings through work process redesign, less need for infrastructure support or overall savings within local government (City, County, State.)
- **Who will help complete this task:** This task will be completed primarily within the Finance Department and the Application Support team with BIS. The work will also involve significant input from customer departments and other stakeholders.

Payroll

- **Assessment of current models / options:** An assessment is required of complete outsourcing of the time-entry function. The City has contracted a private company for keypunch operations, but utilization of this service is sporadic and minimal. Also, the City should explore the utilization of one front-end payroll entry system, as the City currently uses myriad time-entry systems within its departments.

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- **Evaluation timeframe:** 2004
 - **Other considerations:** The wide-ranging and varied needs of the departments from a cost accounting, reporting and labor agreement standpoint have primarily driven the need for the different systems. Whatever direction is taken regarding consolidation of time-keeping systems has to be done with a great deal of sensitivity to departmental needs.
 - **Outcome of the evaluation of the alternative service model(s):** Increased efficiencies, as consolidating our time-entry functions into one system would simplify staffing and training, improve time-keeping efficiency and reduce the cost of maintenance and upgrading of the system.
 - **Who will help complete this task:** This task will be completed primarily within the Finance department with input from customer departments and other stakeholders.

Procurement

- **Assessment of current models / options:** Some potential models of providing service include (1) expansion of cooperative and partnership arrangements currently in place with other governmental and public agencies, and (2) Expansion of online user and vendor capabilities.
- **Evaluation timeframe:** This may occur in 2004-2005 and beyond to the extent cost savings and service improvements can be realized.
- **Other considerations:** The FISCOL potential upgrade in 2005-06 would be the vehicle to facilitate this approach.
- **Outcome of the evaluation of the alternative service model(s):** This would facilitate more distributed processing of transactions and information.
- **Who will help complete this task:** All stakeholders

Administration of insurance, claims, and loss prevention

- **Assessment of current models / options:** Presently, workers' compensation, employment medical services and tort claims under \$25,000 are self-insured and in-house administered for just City Departments. Re-employment, Convention Center and City Hall property insurance, and Owner's Controlled Insurance Programs (OCIP) for large construction projects are outsourced with brokers and insurance companies.
- **Evaluation timeframe:** In 2004, Controller and Risk Management will revise allocation processes based on a Department's claim experience and their effect on the internal service fund. In-house administration can then competitively quote services to other Independent Boards, Commissions, and other entities not included in our self-insurance program in 2005 and 2006.
- **Other considerations:** Premium quotes in these areas are rising.
- **Outcome of the evaluation of the alternative service model(s):** Combining loss prevention strategies with measured results in claims management will result in the delivery of a necessary service that is more cost effective and useful to the employer.
- **Who will help complete this task:** Finance Department and all stakeholders.

Financial Management Reporting

Assessment of current models / options: CPED wishes to develop management reporting models that provide business-line management reports at the various levels of organizational management, i.e. agency, department, division and lower levels if deemed useful."

- **Evaluation timeframe:** Through 2004 the Development Finance division will evaluate reporting models based on existing FISCOL capability and alternatively on subsidiary data applications.
- **Other considerations:** Acceptable models must be efficient, effective and satisfactory to CPED management.
- **Outcome of the evaluation of the alternative service model(s):** Increased efficiency and the accompanying savings.
- **Who will help complete this task:** Finance Department and all other stakeholders.

SECTION FOUR: DEPARTMENT RESOURCE PLANS

FINANCE PLAN

WORKFORCE PLAN

TECHNOLOGY PLAN

EQUIPMENT PLAN

SPACE PLAN

FINANCE PLAN

The Finance Department’s 2004 budget is \$18.2 million, of which 85 percent is for personnel. Funding for the Department’s budget is allocated among City funds according to the level of financial services provided. The Controller’s division uses a “contra account” to directly charge the General Fund for services provided to internal services funds, enterprise funds, special revenue funds, and capital project funds. Finance Department-related expenditures by grant funds, self-insurance funds, development finance-related funds, and utility billing-related revenue are directly recorded in these funds.

The following table summarizes the Department’s funding plan for FY2004:

Department Budget By Funding Source- FY2004		
Funding Sources	BUDGET	PERCENTAGE
General Fund	\$5,243,263	29%
Grant Funds	579,239	3%
Convention Center Funds	302,465	2%
CPED Funds	2,081,179	11%
Capital Projects	1,019,744	6%
Enterprise Funds	5,986,041	33%
Internal Services Funds	2,810,717	15%
Other	201,700	1%
Total Expenditures By Funding Sources	\$ 18,224,348	100%

About \$5.2 million is budgeted in the General Fund for property tax supported functions; this amount is about 29 percent of the total department budget. Property tax supported functions include executive, various Controller’s functions (payroll, general accounting, FISCOL, etc.), procurement, and cash management functions in Treasury.

Enterprise funds make up about one-third of the budget and 82 percent of it is for utility billing functions. The rest of the enterprise funds support managerial accounting functions in the Controller’s division.

About 62 percent of internal service funds support the Department’s risk management activities.

CPED (formerly MCDA) funds support salary and related costs for CPED Accounting and Development Finance staff. The primary funding sources include an indirect cost allocation of various grant and project funds and direct charges to various tax increment funds.

The Department receives about three percent of its funding from various federal and state grantor agencies; approximately half of the grant funds come from federal Community Development Block Grants (CDBG).

Allocation of Budget Among Business Lines and Service Activities

Business Line/Service Activities:	Executive	Controller	Development Finance	Treasury	Procurement	Risk Mgmt	Total
Financial Operations							
Accounts Receivable/Cash Receipts	0%	28%	21%	80%	0%	22%	39%
Accounts Payable/Payroll/Cash Disb.	0%	31%	19%	5%	19%	33%	19%
Asset Management	0%	7%	24%	10%	41%	22%	12%
Total % Financial Operations	0%	66%	64%	95%	60%	77%	70%
Decision Support							
Support of Elected Officials	50%	22%	17%	0%	0%		14%
Support of City Departments	50%	12%	19%	5%	40%	23%	16%
Total % Decision Support	100%	34%	36%	5%	40%	23%	30%

The above table provides an estimate of the Department's resource allocation by its service activities and by business lines. Based on this estimate, the Department currently allocates approximately 70 percent of its resources to the Financial Operations business line and about 30 percent to Decision Support.

FINANCE DEPARTMENT							
Budget Allocation of Service Activities by Business Line							
DIVISIONS							
Business Line	Management And Budget	Controller	Development Finance	Treasury	Procurement	Risk Management	Total
Financial Operations							
Accounts Receivable/Cash Receipts	\$ -	\$ 2,004,202	\$ 437,048	\$ 4,263,054	\$ -	\$ 361,194	\$ 7,065,498
Accounts Payable/Payroll/Cash Disb.		2,218,938	395,424	266,441	125,370	541,791	3,547,964
Asset Management		501,051	499,483	532,882	270,535	361,194	2,165,145
Total Financial Operations	\$ -	\$ 4,724,191	\$ 1,331,955	\$ 5,062,377	\$ 395,905	\$ 1,264,179	\$ 12,778,607
Decision Support							
Budget Management	677,427	1,574,731	353,800	-	-		2,605,958
Management of Financial Resources	677,427	858,944	395,424	266,441	263,936	377,612	2,839,784
Total Decision Support	\$ 1,354,854	\$ 2,433,675	\$ 749,224	\$ 266,441	\$ 263,936	\$ 377,612	\$ 5,445,742
Grand Total	\$ 1,354,854	\$ 7,157,866	\$ 2,081,179	\$ 5,328,818	\$ 659,841	\$ 1,641,791	\$ 18,224,349

Implications of the Five Year Financial Direction

FINANCE PLAN								
	2002 Budget	2002 Actual	2003 Budget	2004 Budget	2005 Projection	2006 Projection	2007 Projection	2008 Projection
General Fund								
Revenue	\$ 136,800	\$ 159,046	\$ 154,800	\$ 101,700	\$ 103,178	\$ 104,723	\$ 106,295	\$ 108,540
Expenditures	5,788,260	5,640,779	5,465,576	5,344,963	6,075,897	6,358,050	6,633,041	6,912,174
Five year Plan Target					(150,000)	(150,000)	(150,000)	(150,000)
Property Tax Funded Budget	\$ 5,651,460	\$ 5,481,733	\$ 5,310,776	\$ 5,243,263	\$ 5,822,719	\$ 6,103,327	\$ 6,376,746	\$ 6,653,634
Special Revenue Funds								
City Grant Funds	\$ 602,670	\$ 413,532	\$ 561,262	\$ 579,239	\$ 590,824	\$ 602,640	\$ 614,693	\$ 626,987
Convention Center Funds	314,585	225,348	308,861	302,465	308,514	314,684	320,978	327,398
Investment Pool Funds	0	6,502	0	100,000	101,500	103,000	104,545	106,635
CPEd Funds	0	0	0	2,077,387	2,138,381	2,202,821	2,272,683	2,345,972
Total	\$ 917,255	\$ 645,382	\$ 870,123	\$ 3,059,091	\$ 3,139,219	\$ 3,223,145	\$ 3,312,899	\$ 3,406,992
Capital Projects	\$ 1,261,775	\$ 1,261,775	\$ 1,013,629	\$ 1,019,744	\$ 1,050,139	\$ 1,071,142	\$ 1,092,565	\$ 1,114,416
Enterprise Funds	\$ 5,397,864	\$ 5,359,051	\$ 5,733,018	\$ 5,989,833	\$ 6,155,094	\$ 6,336,436	\$ 6,532,976	\$ 6,732,000
Internal Service Funds	\$ 2,553,701	\$ 2,371,730	\$ 2,723,512	\$ 2,810,717	\$ 2,876,157	\$ 2,944,673	\$ 3,016,669	\$ 3,089,845
Department Total	\$ 15,918,855	\$ 15,278,717	\$ 15,805,858	\$ 18,224,348	\$ 19,296,506	\$ 19,933,446	\$ 20,588,150	\$ 21,255,427

The City's Five Year Financial Direction includes \$150,000 in reductions to the growth of spending in the Finance Department each year from 2005 through 2008. The Department intends to meet this target by using expected savings from process improvements in the Financial Operations business line; however, doing so will limit the ability to provide additional staff resources to the Decision Support business line, which is a key initiative in the Business Plan. Under this option, the Department would need to eliminate three to four FTEs each year starting in 2005.

The Finance Department also expects that spending from grants, development projects, internal services funds and enterprise funds will face constraints that will limit growth in these areas to 3.5 percent or less (the rate of growth identified in the Five Year Financial Direction). In particular, the services the Department provides to the Health and Family Support Department will be under additional pressure, as more of the grant and program funds will be needed for direct project costs. The Department of Community Planning and Economic Development experiences uneven levels of service demand as the availability of all resources for community development are stressed. The financial services provided to utility fee supported areas (sewer, water, and solid waste) will be constrained by efforts to minimize the rate increases in these areas.

Key Initiatives

The department will undertake the following initiatives:

1. Allocate additional financial and personnel resources to Decision Support business line

As with many City departments, Finance has experienced staffing reductions due to LGA cuts and ongoing retirements. In order to preserve basic financial integrity and controls, reductions have been made in financial analysis resources, which support budgeting, business planning, and routine management decisions. In order to increase our analytical capacity, Finance is working to identify business process improvements that will permit the department to allocate greater financial and personnel resources to the Decision Support business line.

2. Train personnel

The Finance Department's workforce is its greatest asset. In order to maintain that asset, Finance will increase the effective use of City-provided training, as well as design department-specific training. These and other workforce-related action items are outlined in the Workforce Plan. The Department may have to reallocate its existing non-personnel budget for funding this initiative.

3. Upgrade information systems

The Finance Department's technology infrastructure will require both maintenance and upgrading within the next five years. The Technology Plan includes a discussion of future project initiatives and priorities, and provides an implementation timetable for further action.

4. Simplify, automate, and eliminate business processes to reduce costs, improve service, and enable more resources to be allocated to the Decision Support business line.

Finance continually seeks to improve department efficiency in order to reduce costs and improve customer service. In particular, Finance will investigate means to automate, eliminate, or simplify business processes. Potential initiatives include conducting a UB ACH

campaign, developing an online payment system, and increasing parking E-payment. It is the goal of the department that the efficiency gains from such process improvements will enable more resources to be allocated to the Decision Support business line.

5. Consolidate receivable activities.

The Finance Department plans to consolidate all receivable activities under a central Citywide receivable function in order to maximize receivable management and collection efforts.

6. Make process improvements to enable more resources to be allocated to the Decision Support business line.

As discussed above, Finance is considering a number of business process improvements (automation, process elimination, or simplification) that have the potential to reduce costs and improve customer service. It is the goal of the department that the efficiency gains from such process improvements will enable more resources to be allocated to the Decision Support business line.

If you prefer not to have the detail schedules in this document, we need to delete this item.

WORKFORCE PLAN

Workforce Profile

The Finance Department has 201 authorized positions as of October 2003. Over 90 percent of these positions are filled.¹

The department workforce profile breaks down as shown in the table below. The diversity of the department, with respect to ethnicity, actually increased in year 2003 following the reduction of 19 positions due to budget cutbacks.² The Finance Department continues to reach its diversity goals and plans for this to continue to be the case in the future.

About twenty-five percent of the current workforce has been hired within the last five years. There has been turnover across all positions over the last several years (both due to retirement, resignations, and promotions) resulting in the average years in current position for employees to be just over six years. This compares to an average years of service to the City of thirteen for the Finance Department employees. The department is not anticipating any major spikes in employee turnover in the next five years; current employees are estimated to retire at a rate of about six per year.

<i>Department Workforce Profile</i>		
	<i>Year 2000</i>	<i>Year 2003</i>
Authorized positions	204	201
Employees as of 10/2003	195	188
Average years of service	12	13
Average years in current position	6	6
Average age	45	48
Employees by gender:		
Male	32%	35%
Female	68%	65%
Employees by Ethnicity:		
White	73%	72%
Black	12%	11%
Hispanic	5%	5%
Asian	8%	9%
Native American	2%	3%

¹ This employee count includes twenty-two employees that were previously part of the Community Planning and Economic Development (CPED) Department, which are now Finance Department employees.

² The Finance Department eliminated 19 full time equivalent (FTE) positions in 2003 as a result of a loss in revenue from the State reducing the City's Local Government Aid.

Department Workforce Profile		
	Year 2000	Year 2003
Current employees hired during the past 5-years	50	41
Current employees hired during the past 5-years as a percent of total active employees	26%	23%
Employees retired during year	10	7
Estimated average # of employees to retire annually during the next 5-years	5	6

Key Workforce Issues

The Finance Department has identified four key workforce issues for the department:

1. Trained and developed workforce;
2. Informed workforce;
3. Qualified and diversified workforce; and
4. Evaluated and motivated workforce.

In addition to identifying the four key workforce issues, the department has outlined the challenges within each of these four areas and what action the department plans to take to addresses these challenges.

1. Trained and developed workforce

The Finance Department values a trained and developed workforce. Many of the department’s challenges are related to on-going training and development needs. The department needs to increase the effective use of City provided training and to design specific training on department policies and procedures. The department must improve its ability to monitor training effectiveness to ensure that employees are transferring their learning from classes to their job performance. The following challenges and action plans have been identified related to training and development of the workforce.

Challenge	Action Plan	
	Year 2004	Years 2005-2008
A. Train managers and supervisors on staffing policies and procedures	<ul style="list-style-type: none"> ▪ Human Resource Generalists will develop and set-up quarterly training sessions (topic specific), which all managers and supervisors 	<ul style="list-style-type: none"> ▪ Human Resource Generalists will compile training material used at quarterly sessions (during 2004) and they will develop a future action plan on

Challenge	Action Plan	
	Year 2004	Years 2005-2008
	<p>will be required to attend.</p> <ul style="list-style-type: none"> Managers and supervisors shall include in their performance review a plan (including a timeline) for what "Manager and Supervisor Training Modules" they will attend and complete. 	<p>training for both refreshers for existing employees and for newly hired managers and supervisors.</p>
B. Communicate training/performance expectations to employees	<ul style="list-style-type: none"> Directors are responsible to jointly develop and communicate department-wide training/performance expectations for all Finance Department employees. (This expectation will not be position or title specific). Managers and supervisors will work individually with employees to identify individual employee training "gaps" and develop employee action plans (training) to address those gaps. 	<ul style="list-style-type: none"> Directors are responsible for annually reviewing the training/performance expectations and for making changes. Directors are responsible for developing a plan to "survey" Finance employees on their opinions regarding training needs and to assess training deficits for the department. This analysis should be informed by the individual employee action plans.
C. Train managers and supervisors on how to evaluate and communicate employee performance, both verbal and written	<ul style="list-style-type: none"> Human Resource Generalists will develop a training session on performance evaluation, which all managers and supervisors will be required to attend. <p><i>See "Evaluated and motivated workforce" section below for more information.</i></p>	<ul style="list-style-type: none"> Human Resource Generalists will provide an annual training session on performance evaluation, which all managers and supervisors will be required to attend.
D. Document tasks and procedures to assist with training due to turnover in positions	<ul style="list-style-type: none"> No department-wide action for 2004. However, individual managers and supervisors will be encouraged to begin this practice now on their own. 	<ul style="list-style-type: none"> All positions in Finance shall have a "Position Folder" which contains relevant procedures, contacts, and critical dates/timelines relative to the carrying out of duties for a position. Directors, managers and supervisors

Challenge	Action Plan	
	Year 2004	Years 2005-2008
		shall determine what level of detail is necessary to be included in the "Position Folder" depending on the position.

2. Informed workforce

The Finance Department values a well-informed workforce, both with respect to department and citywide issues. The department needs to build on its efforts to communicate department and citywide policies, procedures and upcoming changes to employees. Honest and timely communication on issues will help create a positive work environment. The following challenges and action plans have been identified related to an informed workforce.

Challenge	Action Plan	
	Year 2004	Years 2005-2008
A. Communicate the Finance Department's Business Plan to all Finance employees	<ul style="list-style-type: none"> ▪ The Business Planning Steering Committee will identify (as part of an implementation plan to be included in the Business Plan) what process will be used to communicate and inform Finance employees about the department's business plan. 	<ul style="list-style-type: none"> ▪ Future action yet to be determined.
B. Keep workforce informed of notable changes that impact Finance employees (i.e., position additions/reductions, space changes)	<ul style="list-style-type: none"> ▪ Finance Officer will continue to ensure that Finance employees are apprised of any relevant and notable changes as soon as possible. ▪ The Finance Officer will continue to schedule semi-annual "all" employee meetings to provide an opportunity for face-to-face communication with employees, including time for questions and answers with the Department Head. 	<ul style="list-style-type: none"> ▪ Continue action to be taken in 2004.

3. Qualified and diversified workforce

The ability to effectively recruit a group of diversified new employees and retain current employees is an important goal of the Finance Department. The department desires to be well prepared for turnover and ready to respond to changes in the workforce. This task has become more difficult recently with notable funding cuts and the corresponding reduction in finance positions. A focus on the following steps will position the Finance Department to meet its recruiting and staffing needs in the future:

Challenge	Action Plan	
	Year 2004	Years 2005-2008
A. Identify current areas of vulnerability for employee turnover	<ul style="list-style-type: none"> ▪ Directors will coordinate a process to identify current areas of vulnerability for employee turnover, including cause for concern. ▪ Finance Officer and directors will then develop a contingency plan for the positions identified (to include for example, additional training efforts or more aggressive documentation of work processes and procedures). 	<ul style="list-style-type: none"> ▪ Future action yet to be determined.
B. Assess effectiveness of interview selection process and criteria used to evaluate candidates	<ul style="list-style-type: none"> ▪ Directors will jointly review and analyze recent hiring decisions to determine how effective the interview selection processes used by the department has been in assessing qualifications as demonstrated by on the job performance. ▪ Directors will jointly develop a process that will be used to develop criteria for selecting employees. For example, identify what common skills (i.e., effective communicator) or abilities (i.e., spreadsheet skills) the department values in all of it's employees, regardless of title. 	<ul style="list-style-type: none"> ▪ Future action yet to be determined.
C. Identify recruitment practices that will ensure a diverse pool	<ul style="list-style-type: none"> ▪ Finance Officer and Directors will work with Human Resource Generalists to 	<ul style="list-style-type: none"> ▪ Future action yet to be determined.

of applicants.	identify recruitment strategies that will help to ensure a diversified pool of applicants for positions in the Finance Department.	
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4. Evaluated and motivated workforce

The Finance Department’s future success is tied to consistent and accurate performance management of our greatest assets, the City’s human resources. The department needs to begin to more effectively evaluate past and current employee performance and to assist and motivate employees to improve their performance. The Department’s challenges are the following:

Challenge	Action Plan	
	Year 2004	Years 2005-2008
A. Evaluate employee performance annually through completion of written evaluation.	<ul style="list-style-type: none"> ▪ Finance Officer needs to commit and hold accountable the department to having written performance reviews completed for each employee by year-end 2004, and annually thereafter. ▪ Finance Officer will communicate to directors, managers, and supervisors what format the Finance Department will use to complete written performance reviews. 	<ul style="list-style-type: none"> ▪ Finance Officer and Directors will identify a plan for assessing common performance issues, as reflected in performance evaluations, across the department. This information shall be used to enhance and coordinate future training.

TECHNOLOGY PLAN

Continued use and additional investment in information technology are vital to the success of the Finance Department in achieving its stated mission and goals. The development of the Department's five-year Technology Plan begins with an evaluation of current technology assets followed by discussion of future project initiatives and priorities. Specific funding sources, personnel resources required and a survey of Finance Department and customer requirements are not specifically addressed. These would be addressed through the establishment of a Finance Technology Steering Committee using this plan as an outline, in conjunction with the proposed implementation schedules.

Technology Assessment

The Finance Department currently uses a number of transactional and planning software, to support the enterprise operation of the City. As the custodian of financial data, the City's financial information system (FISCOL) is at the forefront of the Department's technology plan. Regardless of where a financial transaction may originate, all transactions are ultimately recorded and accounted for within FISCOL.

The Department also uses a utility billing system (MUPS) which manages customer information for all water, sewer, and solid waste consumers within the City. The system is responsible for the generation of utility invoices and manages the collection of receivables.

While FISCOL and MUPS represent the principal systems used by the Finance Department, other software used throughout the department are inventoried below. For general hardware and software in place Citywide, the Finance department follows the platforms and standards established by Business Information Services (BIS). Also included in this plan is a diagram illustrating the integration of the Department's various systems and software.

Finance Department General:

- FISCOL (Financial Information System City Of Lakes – AMS Advantage version 2.2)
Currently installed modules include:
 - Base module
 - BRASS (Budget Reporting & Analysis Support System) version 5.40.09
 - Advanced Receivables
 - Cost Allocation
 - Extended Purchasing
 - Fixed Assets
 - Inventory Control
 - Job Costing
- Previously the City installed AMS modules for Advanced Grants, Project Billing, Performance Measurement, and Investment Management, but these are no longer used.
- Net Term 4.2.2 (for Character ("Terminal") access to FISCOL)

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- Vista Plus 4.2 (Report warehouse and access tool)
 - Data Warehouse
 - CRS (City Reporting System – from Data Warehouse)
 - CAFR Maintenance (CAFR Preparation and Reporting – from Data Warehouse)

Finance Special Purpose:

- Bloomberg Financial Information
- Real Estate Portfolio Mgmt (Lease Information) in Access DB
- RIMS (Radio Information Management System) in Access DB, which produces radio shop billings
- HRIS (web based Human Resources Information System – PeopleSoft) for Payroll
- PEIRS (Payroll Entry and Information Reporting System) for PW and Park & Rec. Time Entry and Cost Accounting interfaced to HRIS
- OROS (Activity-Based Costing software)
- Capital Database System (Access 97)
- IDIS (Integrated Disbursements Information System) used to monitor Grant drawdowns (web based).
- Mun-Ease (a shared database that is used to track all of the debt of the City)
- Time and Schedule Keeper (Police Payroll Entry)
- Fireworks (Fire Payroll Entry that is re-keyed into HRIS)
- EMIS (Equipment Management Information System) / M4 (including Payroll Entry interfaced into PEIRS)

Utility Billing:

- MUPS (Municipal Utility Package System)
- Cognos reporting on MUPS
- Vsg32 (for access to MUPS)
- IVR (Interactive Voice Response) and IWR (Interactive Web Response) for credit card payment of UB billings
- SMSi Roman for meter reading of water usage into MUPS

MCDA / CPED (Community Planning & Economic Development):

- Budget Database for MCDA/CPED in Access DB, Integrated budget prep database, used to rollup business line budgets and do Budget approval & tracking
- MINS (Management Information Network System), MCDA/CPED Financial system (COA in same format as FISCOL), Land Acquisition/Disposition & Holding expenses, Program

Management & Tracking, Application / Loan origination & monitoring, Project finance tracking, Financial Reporting

- MCDA/CPED reports
- Web Reports, Development Report Engine, Reports on MCDA/CPED, Enterprise Zone, and METP (Minnesota Employment Training Program)

Risk Management Databases on Servers:

- PC Comp, a Workers Compensation system
- Tort Claims system
- Crawford Database Report (will be web based)
- OCIP claims database –(web based)
- Employment Services, Workers Compensation and Medical bill payment database

Finance (FISCOL) Admin Tools:

- Vista Server Admin 4.21.01
- FISCOL / BRASS Interface (FBI)
- Monarch Pro 5.02
- AppWorx Client
- Adobe FrameMaker 6.0
- Adobe Framereader 5.1
- PageMaker
- Quite Imposing Plus
- ScanSoft OmniPage Pro 12.0
- Seagate Crystal Reports Professional 7.0
- Sybase Info Maker 6.5
- Web Works Publisher 6.0.2
- Win VNC 3.3
- WinZip 8.0

General Purpose:

- Microsoft Office (includes Outlook, Word, Excel, Power Point, Access)
- MS Project 2000
- Adobe Acrobat Reader
- Internet Explorer

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- Netscape
 - Folio
 - VSG
 - Franklin Palm System
 - Compaq iPAQ Pocket PC Microsoft ActiveSync
 - TrakPro 3.20 TSI Products

Integration

As illustrated in the attached diagram, the Department's current technology resources are developed through a complex data flow to achieve desired functionality within the Department. This complexity is the result of several factors including the rapid pace of changing technology, lack of financial resources to keep pace, and the incompatibility of differing solutions provided by vendors. These issues manifest themselves in workaround procedures that may be inefficient but are required to achieve the desired outcome.

Given the diverse nature of transactions and financial reporting required by the Department and its customers, it is increasingly important that the myriad of software and systems owned by the Department are as fully integrated as possible to deliver a comprehensive financial solution. To that end, the Department will continue to challenge its vendors and 3rd party relationships to deliver robust/open solutions that meet City needs. Of equal importance is the role that BIS plays in assisting Finance to achieve a fully integrated financial solution. The Department will rely heavily on BIS for technology advice and evaluations of current systems and software. Finance, as the owner of the financial planning and transaction processing, will continue to drive toward greater efficiencies in its data processing through the continued investment and use of technology. Where current manual workarounds exist, these will be replaced or eliminated by enhancements in vendor solutions, and process changes.

Future Initiatives and Projects

At the forefront of the Finance Department's future technology consideration is the financial and billing system, FISCOL and MUPS. Both systems have had life spans within the City of four (4) to eight (8) years. FISCOL was purchased and implemented in FY 1995 while MUPS was purchased and implemented in FY 2000. Considerable investments in terms of financial and integration development have been made in both systems. These two systems are considered the top priorities for the Department in terms of technology investment.

FISCOL and MUPS are being considered for upgrades from their current version. However, an upgrade of these systems will not be the only options considered. Because of the magnitude of cost and resources involved in the upgrades, the Finance Department will explore alternatives including new vendors, outsourcing, and partnerships.

Regardless of whether Finance upgrades its current systems with the same vendors or pursues different vendors, Finance assumes that the replacement systems will have the full functionality that the current systems have, and also:

1. Web technology, which can be available both on the Intranet at work, and on the Internet outside work
2. Robust self-service functionality for outside vendors and others
3. An emphasis on features that would reduce the need for physical paper flow

-
4. Automatic workflow functionality that will include email notifications and work list reminders
 5. An emphasis on configurability (usually done by functional personnel) of features rather than modifications/customizations of the software (done by systems personnel), the goal being zero customizations
 6. Improved reporting capabilities with more reporting being able to be done by functional personnel
 7. Technology advanced features that would make integration between the future FISCOL, MUPS, and other systems easier to accomplish (for example, XML and EAI).

There are a number of future options that need to be reviewed and investigated by work groups in 2004. Following is a summary of these options, including estimated direct costs (those arising from payments to vendors) and indirect costs (those associated with the assignment of a City project team to work on the project).

FISCOL

1. Continue with the current version-2.2 and self-maintain, with possible added cost when support by AMS discontinues in July 2005. BRASS will be not be supported in November 2006.

Estimated Direct Costs: Not known at this point, relatively small.

Estimated Indirect Costs: Relatively small if any, as this would be similar to today.

2. Upgrade the current version to the next AMS Advantage Financial Management release 3.x and Performance Budgeting.

Estimated Direct Costs: Our current estimate from AMS is \$2.5-3.7 million for the software and services for an upgrade to the latest 3.x web version of FISCOL. This would be increased by the costs, on a T&M (Time and Materials) basis, from Unisys for assistance on this project. This could also be increased by an amount roughly in the range of \$150,000-250,000 annually if it were decided that we wished to purchase additional ASP (Application Service Provider) services from AMS.

Estimated Indirect Costs: Estimate 15 functional personnel, one from each area of Finance and the various customer areas, on close to a full-time basis for 9 to 12 months. There would also be close to full-time work for the 3 people now in FISCOL Support and the 2 in BIS for that period.

3. Investigate replacement of the FISCOL system, through an RFP process, with a different financial system currently available.

Estimated Direct Costs: Our current estimate from PeopleSoft is \$1.240 million for software and \$3.140 million for implementation services to replace FISCOL with the latest 8.x version of PeopleSoft Financials. The implementation amount would be reduced if we were to do multiple projects (CRM/3-1-1, HRIS additions, etc.) with them. These costs would be increased by the costs, on a T&M basis, from Unisys for assistance on this project.

The amount of these costs would probably be consistent with other major software vendors (SAP Oracle, etc.) if we were to go through a RFP/selection/conversion/implementation process.

Estimated Indirect Costs: Estimate 15 functional personnel, one from each area of Finance and the various customer areas, on close to a full-time basis for 12 or more months. There would also be close to full-time work for the 3 people now in FISCOL Support and the 2 in BIS for that period.

4. Investigate the possibility of sharing a system with another governmental organization i.e.: Hennepin County, State of MN etc.

Estimated Direct Costs: Unknown

Estimated Indirect Costs: Unknown

MUPS

1. Continue with the current version of MUPS until Systems and Software discontinues support.

Estimated Direct Costs: Not known at this point, relatively small

Estimated Indirect Costs: Relatively small if any, as this would be similar to today

2. Upgrade the current version to Systems and Software's next release – enQuesta.

Estimated Direct Costs: Our current quote from Systems and Software Inc. is \$94,000 for hardware and \$331,000 for software and services. This would be increased by the costs, on a T&M basis, from Unisys for assistance on this project. This would also be increased by an amount in the range of \$45,000-175,000 (plus Unisys' costs) for the addition of stormwater billing capability, if that were desired.

Estimated Indirect Costs: Estimate 5 functional personnel, one from each of the various customer areas, on close to a full-time basis for 6 to 12 months. There would also be close to full-time work for the 2 people who now support MUPS for that period.

3. Replace MUPS through an RFP process with a different vendor.

Estimated Direct Costs: An estimate of the effort to replace the current MUPS system through an RFP/selection/conversion/implementation process would be in the range of \$1-3 million.

Estimated Indirect Costs: Estimate 5 functional personnel, one from each of the various customer areas, on close to a full-time basis for 9 to 12 months. There would also be close to full-time work for the 2 people who now support MUPS for that period.

4. Enter into an outsourcing agreement or ASP (Application Service Provider) agreement, for the utility billing system.

Estimated Direct Costs: Unknown

Estimated Indirect Costs: Unknown

5. Custom develop a utility billing and customer management system in-house by expanding the Solid Waste Information System (SWIS) developed by Public Works.

Estimated Direct Costs: Unknown

Estimated Indirect Costs: Unknown

In addition to FISCOL and MUPS, several other initiatives either are currently underway, or planned, within the Department. Current and planned technology initiatives such as those listed below need to continue or begin:

Self Service Initiatives

- Travel card implementation with possible expansion to a procurement/payment card thereby reducing the number of financial system transactions.
- E-Government initiatives— EDI, on-line payments, document transmittal, scanning and storage.
- Study the existing payroll entry systems to determine the feasibility of developing one enterprise-wide time-keeping platform

Customer Relationship Management

- Central repository for customer receivable management - utility billing, storm water fees, street light fees

Activity Based Costing

- Broaden the use of OROS from a stand-alone product with specific uses to an enterprise-wide Activity Based Costing solution.
- Financial System Reporting Tool.
- Performance Measurements

Proposed Implementation Timetable

Year	Quarter	FISCOL	MUPS
2004	Q1-Q2	<ul style="list-style-type: none"> Finance Department users perform "Needs Analysis" for a Financial Information System. Membership of this group would include representatives of users and management from all Divisions of the Finance Department, FISCOL Admin, and BIS. 	<ul style="list-style-type: none"> Evaluate current functionality of MUPS and identify gaps in function desired by Utility Billing group. Determine compatibility of enQuesta in bridging functionality gaps Release RFI/RFP to determine solutions provided by other vendors including ASP model Decision point: <ul style="list-style-type: none"> Retain current MUPS version Retain Systems & Software as vendor and upgrade to enQuesta Release RFP for new vendor solution.
	Q3	<ul style="list-style-type: none"> Decision Point (early in the quarter): <ul style="list-style-type: none"> Keep FISCOL 2.2 and BRASS and lose AMS maintenance and support (close to a "do nothing" approach, but this also has costs) Upgrade to AMS Advantage 3.x Convert to some other ERP/Financial suite (PeopleSoft, SAP, Lawson, JD Edwards, etc.) The Needs Analysis is translated into an RFP, or other appropriate instrument. 	<ul style="list-style-type: none"> Review RFP responses and select new vendor or plan upgrade to enQuesta Prepare implementation or conversion plan
	Q4	<ul style="list-style-type: none"> RFP published Vendor Responses are evaluated Software Vendor selected; Contract negotiated 	

Year	Quarter	FISCOL	MUPS
2005	Q1	<ul style="list-style-type: none"> Business Processes reviewed for potential changes to work better with new system. Determine extent of software customizations required (re-justify old customizations or drop them) 	<ul style="list-style-type: none"> Conversion / Implementation of enQuesta or new vendor solution.
	Q2	<ul style="list-style-type: none"> New software installed. Prototyping / Testing starts 	
	Q3	<ul style="list-style-type: none"> Testing continues Prepare training material 	
	Q4	<ul style="list-style-type: none"> Final preparations for conversion, including a "Dress Rehearsal". "Final" testing. Training provided for all system users - different classes for different types of users (data entry vs. line manager vs. executive). Install, test, and convert Budget software and data. Conversion / Implementation as of Fiscal year-end 	
2006		<ul style="list-style-type: none"> Start production for Fiscal Year 2006 using the new system Finish FY 2005 using the old system. Transfer closing balances to new system after FY Close. Prepare the 2007 Budget using new Budget software 	

EQUIPMENT PLAN

The Finance Department makes limited use of equipment to support its businesses. Personal computers, copiers, and customary office equipment are used by most Finance personnel.

The Treasury division has special equipment requirements for check printing, mail opening and sorting, and cash counting. This equipment has a life cycle and when nearing the end of its useful life, the division evaluates whether alternative means of conducting operations are feasible and would lower costs. The table below lists the current inventory of Treasury's major equipment and the expected remaining useful life.

Equipment	Purpose	Remaining Life
2 Currency Counters	Processing cash deposits & change orders	4-5 years
3 Currency Counters	Processing cash deposits & change orders	2-3 years
Coin Sorter	Processing meter coin	5 years
Coin Sorter	Processing meter coin	0-1 year - some parts are no longer available
2 Coin Wrappers	Processing meter coin	3-5 years
2 NCR 7780's and Network	Process incoming payments	7-10 years
1 Shredder	Document destruction	10 years
1 Envelope Opener	Open in coming payments	5-10 years
1 Letter Stuffer	Stuff payroll / claims checks and W2's	10-15 years
Document Jogger	Process incoming payments	5-10 years

Trends in e-payment and other payment methods, including the expanding acceptance of credit card payments throughout the City, will dictate the ongoing use, need and replacement of Treasury equipment. Current equipment is primarily used to support the Public Works Department's parking and utility enterprise operations. Cash, coins, and check volumes are the highest in these areas. Treasury continues to work with these enterprises to increase the use of electronic payment methods, thereby reducing the reliance on physical equipment.

The Treasury division anticipates an equipment replacement schedule as follow (assuming no increase in the use of e-payment methods by customers).

<1 year	1-2 years	2-3 years	3-5 years
<ul style="list-style-type: none"> • Coin Sorting Machine • Upgrade 2 NCR 7780's and Network to Windows XP 	<ul style="list-style-type: none"> • Coin Bag Crimper 	<ul style="list-style-type: none"> • 3 Currency Counters 	<ul style="list-style-type: none"> • 2 Currency Counters • Coin Wrapping Machine

SPACE PLAN

Background

The Finance Department has personnel in 10 primary locations as of December 2003. The number of locations was reduced in 2003 as a result of a major space consolidation plan involving 75 employees. This consolidation reduced the number of locations from 22 to 10. The purpose of this consolidation was to improve internal communications, increase the consistency of similar accounting and financial operational practices across units, and improve service to operating departments.

Location	Unit	Spaces
City Hall: 325M, 330/330M, 323M	Finance Officer, Budget Director/staff, Controller, Accounting managers (internal service, capital, and enterprise), Assistant Controller, Accounting managers (general fund, special revenue funds), Treasury (cash management)	64
City Hall: 213/219	Payroll	18
City Hall: 125	Accounting Staff	4
Public Service Center: Room 200, 206, 225	Treasury (receivables/utility billing)	39
City of Lakes: 210	Solid Waste accounting	3
Crown Roller	Development Finance	21
Towle: 5 th Floor	Risk Management and Procurement	17
Convention Center	Convention Center	4
Central Counting Facility	Treasury (cash counting)	5
Hawthorne Facility	Transportation accounting	6
Total		181

Planned Space Changes

Over the next five years the following space changes are known and should be planned:

1. Procurement and Risk Management/Claims will move to permanent locations from temporary space in Towle when Property Services is able to find permanent space in City owned property in or near City Hall. The Towle location was used to accommodate the City Hall renovation improvements.
2. The Treasury's cash management unit is located in temporary space (CH 323M) until space in PSC adjacent to or near the receivables/utility billing unit can be developed.

Trends Impacting Space

The following trends may impact the location of Finance employees:

1. Development Resource Center initiative. Finance will support this initiative with personnel who will provide cashiering and other financial services.
2. Common Call Center/3-1-1. If the City develops a common call center to support the 3-1-1 initiative, many City departments, including Finance, will transfer employees to staff this new service. Elements of many Finance units may be impacted, but primarily the utility billing/receivables management unit.
3. E-government. As the City migrates more financial operations to electronic processes and self-service operations, personnel needs will change including the number and their location.

