

# FINANCE

## MISSION STATEMENT:

The mission of the Finance Department is to provide fiscally prudent financial accounting, debt management, investing and purchasing services.

## CORE FUNCTIONS:

- 1) **Perform Financial Accounting** - Maintain the City's general ledger, perform accounts payable function, process employee payroll, provide financial reports to the City's operating divisions and to the City Council, assist administration with implementation and monitoring of the annual budget and coordinate the City's annual audit
- 2) **Administer Debt Management** - Coordinate the issuance of debt, prepare information required to obtain insurance and ratings for debt insurance and process maturities payments
- 3) **Coordinate Investment Practices** - Manage City funds, determine appropriate investments according to the City's investment policy and provide quarterly reports to the City Council regarding investment performance
- 4) **Execute Purchasing Practices** - Conduct City-wide bids and contract administration and participate in Cooperative Purchasing Programs

## 2016 – 2017 WORK PLAN

## **CORE FUNCTION: #1 Perform Financial Accounting**

### **Action:**

- Process approximately 12,500 invoices and 7,200 checks
- Issue approximately 90 purchase orders
- Prepare and distribute payroll checks for approximately 375 employees
- Prepare financial reports
- Prepare construction project status reports
- Prepare and submit payroll reports to appropriate federal and state agencies
- Distribute W-2 to City employees and submit W-3 wage file to the Social Security Administration (SSA)
- Distribute 1099s and submit file to Internal Revenue Service (IRS)

### **Activity Measurement:**

- Pay 98% of submitted invoices in the week submitted
- Process 95% of purchase orders within two business days following departmental approval
- Reconcile construction projects and funding sources monthly
- Complete 100% of payroll processing by Wednesday prior to payday
- Complete and distribute financial reports quarterly
- Submit pension report and funding to appropriate state agency by the 15<sup>th</sup> of the following month
- Submit Federal Form 941 quarterly report by the end of the month following the end of the quarter (Form 941 reports wages, federal taxes, social security and Medicare withheld and payable)
- Submit quarterly unemployment report by the end of the month following the end of the quarter
- Distribute W-2s to employees by January 31<sup>st</sup> and submit electronic file (W-3) to Social Security Administration by March 31<sup>st</sup> annually
- Distribute 1099s to non-incorporated vendors by January 31<sup>st</sup> and submit electronic file to IRS by March 31<sup>st</sup> annually

### **CORE FUNCTION: #2 Administer Debt Management**

#### **Action:**

- Complete all legal documents required for issuance of debt
- Prepare Preliminary and Final Official Statements
- Prepare presentation to rating agencies and conduct rating agency meetings
- Respond to bond underwriter attorney's inquiries
- Evaluate bids on debt
- Complete process to settle debt
- Prepare all data necessary for continuing disclosure
- Complete continuing disclosure questionnaire
- Make necessary transfers to Interest and Sinking Fund accounts
- Monitor bond reserves for adequate levels of funds
- Review paying agent invoices for accuracy to determine correct amounts were billed
- Insure all debt payments are made on time

#### **Activity Measurement:**

- Complete 100% of all debt issues by established due date
- Complete 100% of debt payments by due date (February 15<sup>th</sup>, April 1<sup>st</sup>, August 15<sup>th</sup>, October 1<sup>st</sup>)
- Maintain the City's general obligation bond ratings from Moody's (Aa2) and Standard and Poor's (AA)

### **CORE FUNCTION: #3 Coordinate Investment Practices**

#### **Action:**

- Determine the City's cash requirements and investable balances
- Invest balances as established by the City's Investment Policy
- Provide reports to City Council regarding investment performance

#### **Activity Measurement:**

- Maintain cash balances to meet operational needs daily
- Complete and distribute Quarterly Investment Reports to the City Council within one month after the end of the quarter

### **CORE FUNCTION: #4 Execute Purchasing Practices**

#### **Action:**

- Complete the purchasing process, using the most efficient methods consistent with state law
- Obtain the best price/performance purchases for the City
- Participate in regional cooperative purchasing opportunities

#### **Activity Measurement:**

- Notify the maximum number of vendors/service at least two weeks before the deadline
- Review submitted bids/proposals and offer a recommendation within 2 weeks

**SUMMARY - FINANCE**

EXPENDITURES	ACTUAL	ACTUAL	BUDGET	EST.	FISCAL YEAR 2016-2017		
	FYE 14	FYE 15	FYE 16	FYE 16	CONTINUED	GROWTH	PROPOSED
Personnel	\$ 582,491	\$ 515,992	\$ 607,515	\$ 631,301	\$ 645,658	\$ -	\$ 645,658
Supplies	9,222	6,926	4,500	7,832	7,300	-	7,300
Maintenance	-	-	6,500	-	-	-	-
Services	283,467	498,735	347,230	278,498	286,240	-	286,240
Utilities	1,236	681	700	140	450	-	450
Miscellaneous	78,624	13,324	24,060	14,742	18,555	-	18,555
<b>TOTAL Dept. Budget</b>	<b>\$ 955,040</b>	<b>\$ 1,035,658</b>	<b>\$ 990,505</b>	<b>\$ 932,513</b>	<b>\$ 958,203</b>	<b>\$ -</b>	<b>\$ 958,203</b>

STAFFING	ACTUAL	ACTUAL	BUDGET	EST.	FISCAL YEAR 2016-2017		
	FYE 14	FYE 15	FYE 16	FYE 16	CONTINUED	GROWTH	PROPOSED
Finance Director	1.00	1.00	1.00	1.00	1.00	0.00	1.00
Accounting Manager	1.00	1.00	1.00	1.00	1.00	0.00	1.00
Senior Accountant	1.00	2.00	2.00	2.00	2.00	0.00	2.00
Purchasing Agent	0.50	0.50	0.50	0.50	0.50	0.00	0.50
Budget Analyst	0.50	0.50	0.50	0.50	0.50	0.00	0.50
Accountant	1.00	0.00	0.00	0.00	0.00	0.00	0.00
Account Clerk	1.00	2.00	2.00	2.00	2.00	0.00	2.00
Part-Time Account Clerk	0.75	0.00	0.00	0.00	0.00	0.00	0.00
<b>TOTAL Department Staff</b>	<b>6.75</b>	<b>7.00</b>	<b>7.00</b>	<b>7.00</b>	<b>7.00</b>	<b>0.00</b>	<b>7.00</b>

REPLACEMENT VEHICLES & EQUIPMENT:	ACTUAL COST	LEASE COST	FUNDED

N/A

PROGRAMS:	PRIORITY	COST	FUNDED
POS, E-Commerce, Cash Receipt Systems	1	\$ 82,790	*Yes

\*Recommend via One Time Funds.

## **Program One (1): Point of Sale (POS), E-Commerce and Cash Receipt Systems**

**Program Cost: \$13,495**

**Tax Rate Impact: \$0.0004**

**Included in City Manager's Budget: Yes (One-Time Funds)**

### **BACKGROUND:**

The City of Cedar Hill has grown from 41,700 residents in 2005 to approximately 49,615 residents in 2015 or (16%). Likewise, the number and complexity of financial transactions have increased. Currently the City of Cedar Hill directly processes approximately \$7.3 Million in cash receipts (annually) outside of our third party providers. Not only has the volume of payment activity grown, customer demands have changed. Customers expect multiple payment options - which require more robust technologies to handle the volume and the diversity in payment options.

The City currently uses *Class*, which is software that handles Point of Sale (POS) and cash receipts for all payments directly processed by the City. This software was obtained in 2005 and will become unsupported (by its parent company) in 2017. The current *Class System* is not only outdated, it isn't fully integrated with the City's current financial system which creates manual processing. Another shortcoming for *Class* is that it doesn't have the capacity to expand the City's E-Commerce payments to all departments.

Electronic Commerce, also known as E-Commerce, is the process of conducting business transactions online. This program intends to truly develop an E-Commerce System City-wide. Currently, the City's website is only a web interface that links a citizen to another third or fourth party website for credit card payments. This means that only certain departments can accept payments for a limited number of services online. By adding additional departments, the number and types of City services that can be paid online will increase. As the number of financial transactions increase, so have the demand for online payments and mobile payment options like *Apple Pay*™ and *Samsung Pay*™. With the investment in new hardware as proposed by this program, the City will be on the cutting edge of technology in accepting these forms of payments.

The Finance Department manually processes data from *Class* into the financial system, it also manually processes data from several other third party and fourth party subsystems. The manual import of data from these systems is laborious and paper - intensive which makes it difficult to research and reconcile the inputs into the City's financial system. For example, the City uses a 3<sup>rd</sup> Party system for incoming Court payments, another system for incoming Water payments, in 2017 another system will be used for incoming Parks and Recreational Payments. Currently all of these transactions are manually recorded by 1.5 staff members in Finance. All transactions from the sub-systems are recorded in summary. Therefore, the transaction details are not pulled over into the financial system from the other sub-systems. This causes research and reconciliation inefficiencies. By obtaining a Cash Receipts System the Finance department will easily be able to pull in the data from other processing systems in a more efficient manner.

**PROGRAM DESCRIPTION:**

Many of our customer's experiences are tied to a payment transaction. Having multiple, convenient payment options is critical to the entire customer experience. The Point of Sale (POS) solution is a very important component to providing excellent customer service. Point of Sale Systems improves accuracy, provide better and timely sales reports, build customer lists and increase productivity.

Our proposal is to find the right mix that will satisfy our need for a POS System, an E-Commerce System and a Cash Receipt System. Finding the right mix is complex because the wide range of products and software in the field usually offer a variety of components. However extensive research over the past few months shows that no single system provides all of the components that match our needs. The payment industry is designed for the retail industry so many of the popular solutions don't fit the needs of a growing municipality.

The approach to solving our three-prong problem was to piggy-back off of current software investments such as *Civic Plus* and *Eden*.

Finance is proposing using *Civic Plus* as our E-Commerce solution as it can fully integrate with our current website and financial system with the customer interface being fully customizable.

Finance is proposing using *Eden Cash Receipts* as our POS and Cash receipts solution as it can fully integrate with our current website and is a sub-product the financial system. The table below provides financial details (prioritized) to the requested program:

DESCRIPTION	Point of Sale System	Cash Receipts System	E-Commerce System	Costs (1-3)
Software	\$4,500	\$34,500	\$360	<b>\$39,360</b>
Hardware	\$7,000	-----	-----	<b>\$7,000</b>
Professional Services (Training/Implementation)	\$8,400	-----	\$500	<b>\$8,900</b>
Maintenance	\$3,000	\$13,280	-----	<b>\$16,280</b>
Processing / Transaction Fees (estimated) – Credit Cards Only	\$8,300 Based on 2.75% per transaction		\$2,950 Based on 3% per transaction	<b>\$11,250</b>
<b>TOTAL:</b>	<b>\$31,200</b>	<b>\$47,780</b>	<b>\$3,810</b>	<b>\$82,790</b>

**If this program is not funded:**

The following risks will increase:

Risk Associated with not replacing Class Software

- Increased Risk to Customer Card Security: The new PCI compliance standards and chip technology is not supported by our current software and hardware that is compatible with Class.
- Increased Risk of Technical Errors: Technical support from the software provider terminates in 2017 with a possibility of a total cash system shut down as the worst scenario.

Risk Associated with not funding an E-Commerce System

- Increased Risk of Security for Online Customers: As customers will continue to be redirected to another 3<sup>rd</sup> party or 4<sup>th</sup> party website for online credit card processing
- Risk of Loss Revenue: If a citizen cannot pay online they may not pay for certain services because it is inconvenient to call or pay in person
- Unbalanced Level of Service Across Departments: As some departments will and others won't have online payment accessibility

Risk Associated with not funding a Cash Receipts Reconciliation Program

- Increase Risk of Charge Backs: As it takes over a month for the finance office to get the charge back information from current subsystems
- Delay in Bank Reconciliation Process as the entire process is manual
- Poor or Marginal Customer Service in researching payments/refunds
- Increased Risk of Errors in Cash Reconciliation: The finance department will continue to manually transfer data from the Class system to the Eden financial system which results in an increase of staff time, delays in bank reconciliations and increased risk of errors.

**This program reflects the City Council's Premier Statements:**

- ✓ Cedar Hill Has Excellent, Safe and Efficient Infrastructure.

**Finance Department's Comments:**

- A) This program is eligible for the Equipment Lease Fund. The budgeted cost of the program is \$82,790 with a lease cost of \$13,495 (per year) for 10 years.
- B) This Program will be recommended via One-Time Funds (\$82,790).

**Information Technology's Department's Comments:**

Information Technology recommends this Program.

FINANCE  
VEHICLES AND EQUIPMENT

ITEM	X IF ITEM IS UNRELIABLE	YEAR	MILEAGE	DESCRIPTION OF REPLACEMENT ITEM	COST	ESTIMATED LIFE	CM APPROVED
EDEN Software System		2005					

