

# An Efficient Finance Office A Dual Perspective

*Presented By*

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# *Goals for Session*

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- Give to you:
  - Overview of financial policies and considerations to enhance efficiency and operations
  - Useful tools to take home (resources on CD)
  - References and Resources (lists and checklists)
- Get from you:
  - Feedback, thoughts and dialogue

# *Main Topics*

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- Policy Framework
  - Essential Policies and Procedures
- Strategic Planning Model
- Budget Framework
- Reporting Framework
  - Financial Management & Reporting Policies
- Accounting & Control Cycles
- Maximizing Resources
  - Technology
  - Employee Development, Training, Cross-functions
  - Outsourcing
  - External & Peer Review
- Managing for Success
- Reference Materials



# *Notes*

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# *Policy Framework*

# *Essential Policies and Procedures*

- Financial Management Policies (Revenue Manual, Debt Policy, etc)
- Accounting Manual
- Budget Manual
- Investment Policy (Florida Statutes 218.415)
- Fund Balance Policy
- Purchasing Policy
- Personnel Policies
- Per Diem and Travel Policies (“Home Rule”)
- Capital Asset Policy (Inventory, Asset Management, evaluation or assessment of Depreciation, Disposal, Infrastructure/34 Approach)
- CIP Manual

# *Why Start with Financial Policies?*

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- Serve as context for decision making
- Strengthen governments – control and limit
- Educate elected officials in good practices
- Focus on Long-term Strategic Planning
- Use Performance Measures to monitor, educate and motivate

# *Formal vs. Informal*

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## ➤ Formal Policies

- Outlive their creators
- Educate the decision makers
- Promote long-term strategic thinking

## ➤ Informal Policies

- Vague in their application
- Rely on past practices
- Rely on one individual to interpret
- Create Confusion

# *Accountability vs. Flexibility*

## *Actionable vs. Philosophical*

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- Actionable use Performance Measures
  - Specify action
  - Contain if/ then statements
- Philosophical more general
- Between uses Performance Measures to gauge compliance but do not prescribe a course of action



# *Notes*

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# *Strategic Planning Model*

# Strategic Planning Model

## Funding Priority

4

### Community Add-ons

Leisure & Culture  
Community  
Beautification  
Community Events &  
Festivals

3

### Quality of Life Services

Security and Safety  
Parks & Recreation Facilities  
Trails: Multi-purpose & Equestrian  
Regulating for Community Benefit

2

### Choice Core Businesses

Land Use & Development Regulation  
Emergency Management  
Environmental Protection

1

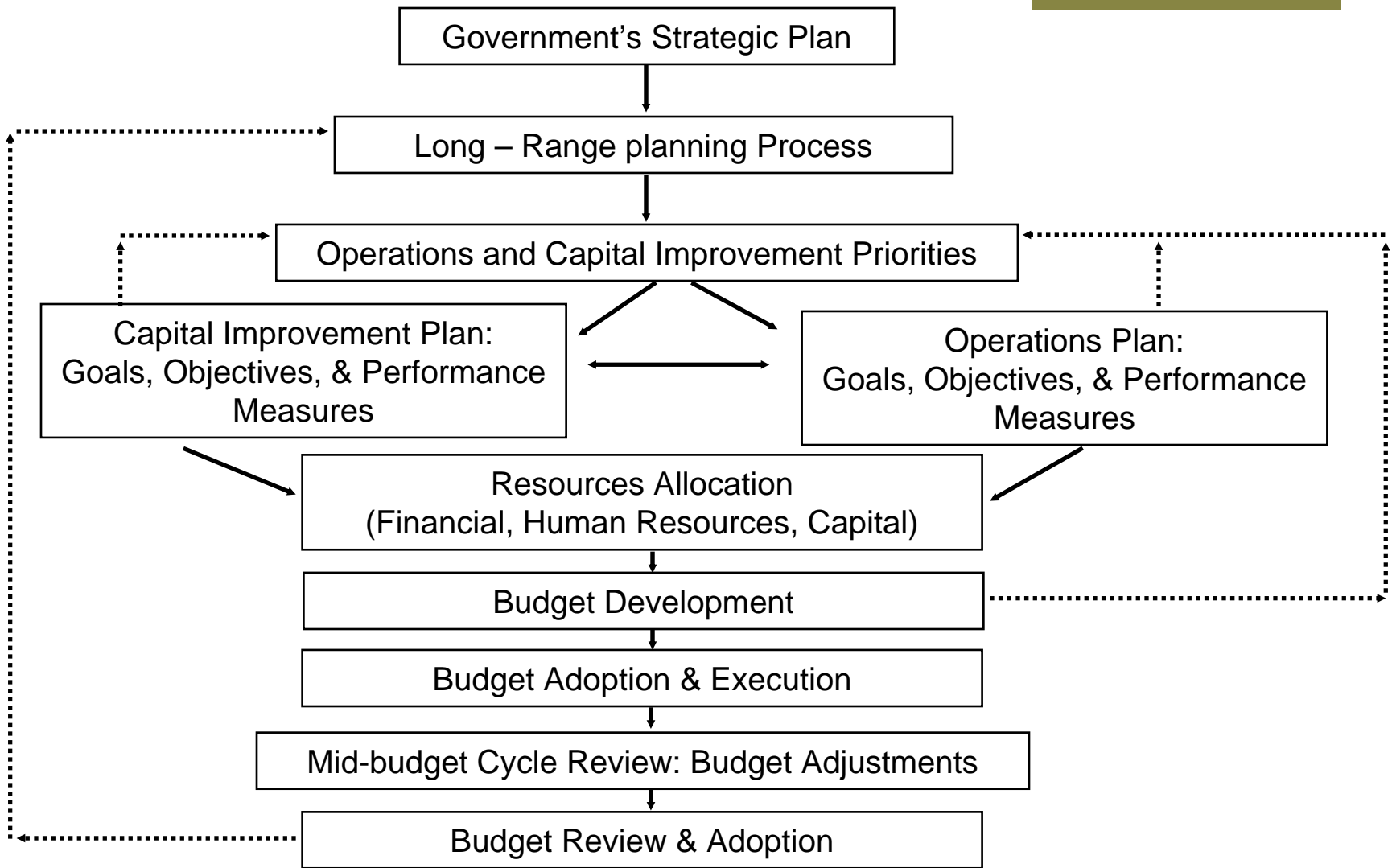
### No Choice Core Businesses

Community Governance  
Planning the Village's Future  
Mobility & Transportation  
Drainage and Flood Protection  
Water  
Wastewater  
Solid Waste



# *Budget Framework*

# Budget Development Framework



# Budgeting

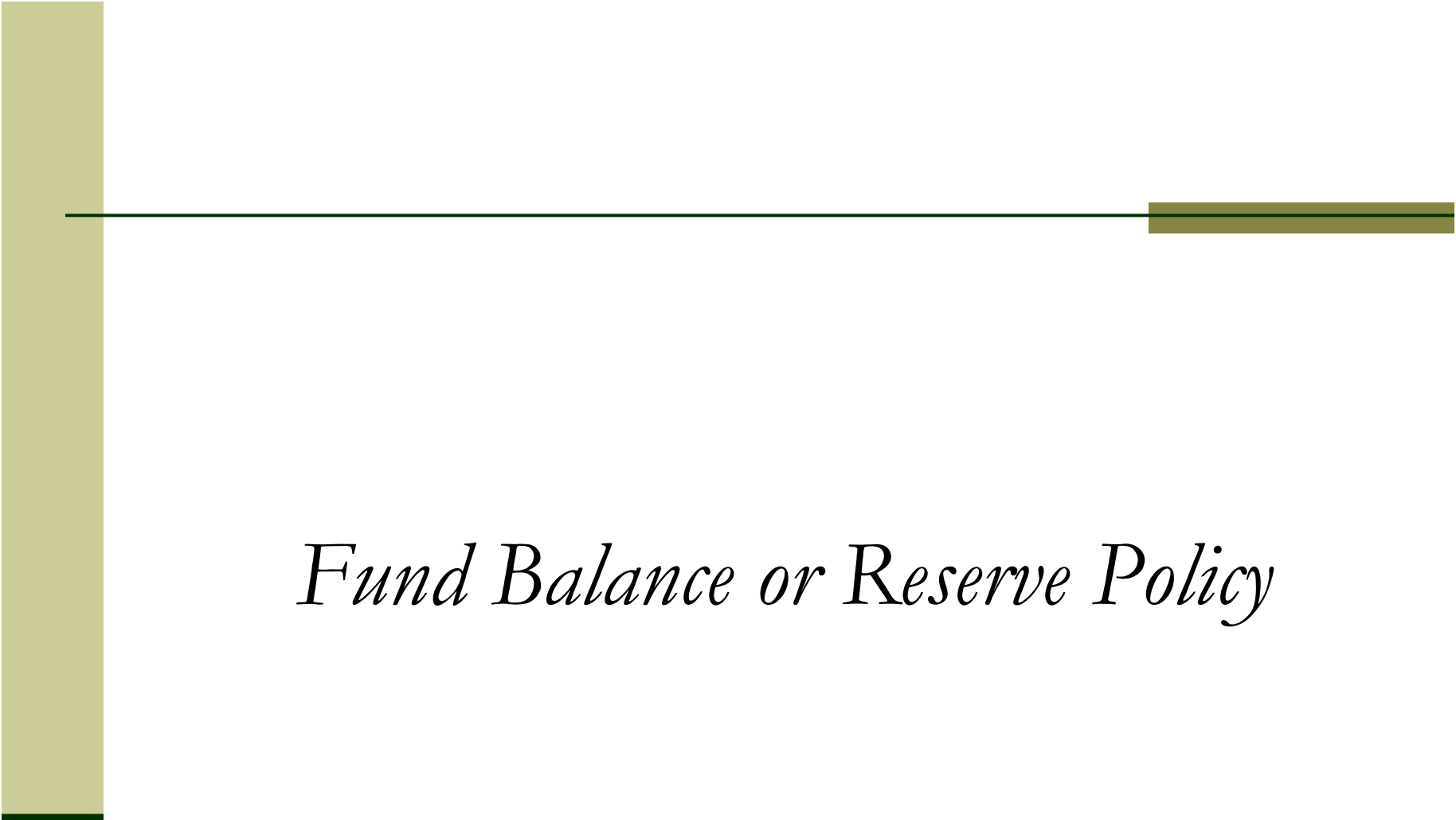
- Business/Service Approach vs. Department
- Strategic Plan – Long Term Goals/Short Term Objectives
- Budget Development Framework
  - Basis of Budgeting
  - Budget Calendar
  - Roles and Responsibilities
  - Control System
  - Performance measurement Integration
  - Resource Allocation/Utilization
- Revenue
  - Cost Recovery
  - Diversification and stabilization
  - One-Time revenue policy
  - Forecasting, Models, Fee Studies and a Revenue Manual
- Expenditures
  - Maintenance of Capital Assets
  - Program Review/Privatization
  - Capital and Financing Plan
- State Budget Dates for Local Governments
- Interdepartmental Coordination



*Notes*

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# *Fund Balance or Reserve Policy*

## *Fund Balance or Reserves*

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- Reserved – Restricted to use/not available
- Designated – “earmarked” for preferred use / Potentially available
- Unreserved – available for appropriation

***Build a reserve fund in accordance with acceptable standards. GFOA Recommended practice and Bond Rating Agencies look for at least 5% of annual operating expenditures***

# *Reserved vs. Designated*

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- The reservation of fund balance is necessary for two reasons:
  - *Resource not available for spending.* Some of the assets reported in governmental funds are not available for spending in the subsequent year's budget.
  - *Legal restrictions on spending.* Fund balance also is reserved to indicate situations where a portion of fund balance is not available for new spending because of legal restrictions involving parties outside the financial reporting entity.
  
- The designation of funds is a fiscal tool used to ensure the government's fiscal stability. Some examples of designations include:
  - *Stabilization Fund.* The Village of Wellington maintains a stabilization fund to provide a reserve against certain specified conditions including a natural disaster or a sudden and unexpected drop in revenues.
  - *Health Insurance Premium Reserve.* The Village maintains a reserve to offset against rising employee premiums.

## *Why formal policy?*

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- Measure of available resources
- Mitigate current & future risks (revenue shortfalls, unanticipated expenditures – natural disasters)
- Stable tax rates
- Bond ratings

# *GFOA Recommended Practices*

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- Governments should establish a formal policy on the level of unreserved fund balance that should be maintained in the general fund
- Governments, regardless of size, should maintain unreserved fund balance in their general fund of no less than five to 15 percent of regular general fund operating revenues, or of no less than one to two months of regular general fund operating expenditures
- Such measures should be applied within the context of long-term forecasting, thereby avoiding the risk of placing too much emphasis upon the level of unreserved fund balance in the general fund at any one time
- Similar policies should be established for other government fund types

# *GFOA Recommended Practices*

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- Governments should consider the following in establishing a fund balance policy:
  - The predictability of its revenues and the volatility of its expenditures
  - The availability of resources in other funds as well as the potential drain upon general fund resources from other funds
  - Liquidity
  - Designations

# Sample Policy Statement

- The General Fund undesignated fund balance will be maintained at a level sufficient to provide for the required resources to meet operating cost needs, to allow for unforeseen needs of an emergency nature, and to permit orderly adjustment to changes resulting from fluctuations of revenue sources.
- Village of Wellington Currently established at:

General Fund & other Governmental Funds	25% – 27% of Expenditures
Building Fund	50% of Expenditures
Emergency Operations	\$3,000,000
Health Insurance	\$500,000
Rate Stabilization	\$2,700,000
Enterprise Funds	\$25% - 27% of expenditures plus bond requirements



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# *Reporting Framework*

# *Financial Management & Reporting Policies*

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- Accounting Manual
- Timely reconciliations and reviews
- Interim reports to management
  - Monthly and/or Quarterly
  - Performance Measures
  - Budgetary & Financial Comparisons
- Investment Practices
- Budget Process and Monitoring
- Technology and Controls
- Internal Audit Function

# *Financial Management & Reporting Policies*

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- Auditor Selection
- Annual CAFR
- State & Other External Reports
- Grant Compliance/Single Audit
- Best Practices
- GFOA Awards!!

# *What Makes it Easy?*

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- Automate
- Use graphs with text
- Publish on Website



# *Accounting & Control Cycles*

# *Bank Reconciliations*

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- First level of internal control
- Departmental accountability
- Daily “on-line” banking
- Daily account reconciliation from bank
- Positive Pay
- Pre-encoded deposit slips
- Automated ACH delivery
- Direct Deposit
- Automated Credit Card Billing System

# *Revenues and Cash Management*

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- SBA Investment Pool
- FMIvT Investment Pool
- 8 hours annual investment training
- Banking:
  - Banking fee comparison
  - Close Unnecessary Bank Accounts
  - On-line Banking
- FLOC Revenue Enhancement Training
- LCIR
- Trend Analysis

# *Accounts Receivable Management*

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- Revenue Accruals – Online ACH
  - Daily Bank Reconciliations lead to proper revenue recognition and accruals
- Analysis
  - To total revenues
  - To prior periods
  - To cash
- Policy/Procedure for past-due, collections and write offs

# *Grant Reporting Management*

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- Automated schedules
  - Project Reporting
  - Accounts Receivable
- Proper Terms, Approvals
- Consistency
- Interdepartmental Communication

# *Accounts Payable Management*

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- Starts in Purchasing
- Levels of Review & Approval
- Deadlines / Cut-Offs
- Proper Training
- Accurate & Timely Payment
- Good Vendor File

# *Purchasing Policy: Thresholds And Approval Levels*

➤ \$1 - \$2,500

Department Manager

➤ \$2,501 - \$9,999

Department Manager

Support Svcs Director

➤ \$10,000 - \$24,999

Department Manager

Support Services Director

Dir Admin & Fin Services

➤ \$25,000 and Greater

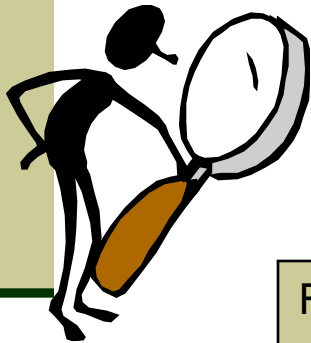
Department Manager

Support Services Director

Dir Admin & Fin Sacs

Village Manager

Village Council



Florida Statutes Purchasing Categories in Chapter 287.017 (1):

Category One - \$15,000

Category Two - \$25,000

Category Three - \$50,000

Category Four - \$150,000

Category Five - \$250,000

# *Purchasing Card Systems*

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- Establish and periodically review limits
- Streamline purchasing system while maintaining appropriate controls
- Proper approval
- Dispute settling policy
- Integrated Software

# *Fixed Assets & Tangible Personal Property*

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- Florida Statutes 274
- Master Inventory Listing by location
- Tagging
- Capitalization Policy
- Disposal of Surplus
- Annual Inventory
- Maintenance/Replacement Schedules and Funding

# *Payroll*

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- Automated timekeeping system
- Automated time and billing system / GL interface
- Appropriate approvals
- Automated delivery of benefits information
- Automated delivery of Social Security, Medicaid and Tax information
- Reporting and filing
- Direct Deposit System



# *Maximizing Resources*

# *Technology*

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- Provides key to an efficient office
  - Installed HTE enterprise software
  - Upgraded HTE software continually
  - Installed Cognos reporting system
  - Upgraded email system/Outlook
  - Installed web e-government applications (payment of utility bills, occupational licenses, parking tickets)
  - Wrote pivot tables for reporting
  - Automated general ledger entries from 3<sup>rd</sup> party software
- Invest in automating processes / Training Staff
- Establish appropriate controls

# *Outsourcing Examples*

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- Human Resources/Employment Services
- Information Technology
- Insurance/Risk Management/Safety
- Reconciliations and Audit Routines

# *External or Peer Review*

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- Focus on policy, procedures and practices compared to nationally recognized “best practices” (GFOA, Fitch)
- 5 areas (ala CGFO Exam):
  - Accounting and Reporting
  - Debt
  - Treasury
  - Budget
  - Financial Administration
- Daily Operations
  - Streamline/automate/use of technology
  - Controls/Segregation of duties



# *Managing for Success*

# *Managing for Success*

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- Planning Ahead
- Forecasting Outcomes and Impacts
- Find best practices and use them
- Connect with your peers, staff and other departments
- Be a resource
- Communicate freely and timely (and nicely!)
- Make information readily available and easy to use
- Do it when you see it is coming – why wait?
- Set goals and measure results

# *Finance and Other Departments*

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- Work together – One way or another!
- “Marriage” to Finance includes mutual understanding of operations, employee needs, budgetary requirements and/or restraints, etc.
- “Marriage” to departments includes constant communication – both ways!
- Policies must be fair and equitable, follow the law, and be fiscally responsible
- Use Manuals as road map
- Project teams
- Balance and rebalance – Who does what, when & how
- Design and revisit systems together



# *Notes*

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*Questions?*

# *How we can be reached*

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