

Clearwater 101 – October 11, 2011
Finance/C-View

Hello – my name is Jay Ravins, and I am the Finance Director for the City of Clearwater. With me this evening from the Finance Department is the City’s Assistant Finance Director, Monica Mitchell, who will assist me in hosting our show tonight. Also in attendance from the Finance Department is Carol Barden, Senior Staff Assistant, who will be our scorekeeper this evening.

Welcome to our fun and exciting game show “Myth or Reality”. Our contestants today are the 2011 participants of the City of Clearwater’s Citizen Academy. This academy was created to enable interested citizens to learn more about their City government.

We have two teams with us today – The Finance Fanatics and the Money Maniacs. The rules are simple –your hosts, Monica and I, will ask questions, related to the City of Clearwater Finance Department, in a true/false format. Teams will take turns answering the questions by saying either “**myth**” if they believe the statement is false or “**reality**” if they believe the statement is true. A correct answer will earn a point. Our Finance scorekeeper, Carol, will keep an “accurate accounting” of the points. There will be prizes for everyone. Everyone is encouraged to participate and have fun with the questions and answers, as we follow the “Las Vegas” rule: “what happens in the Chambers stays in the Chambers”. . . .With the minor qualification that the City’s Public Communications Department is filming the competition today, and will be memorializing it on DVDs for everyone!

Are we ready to begin?

Our first group of questions relates to the Payroll Division of the Finance Department.

1. Our first question is for the Finance Fanatics: The City’s bi-weekly payroll is approximately \$1 million dollars. Myth or reality?

Myth – the correct amount is approximately \$2.3 million, which requires issuing paychecks and direct deposits to about 2,000 employees.

Points awarded to Finance Fanatics?

2. This question is for the Money Maniacs: The City does not participate in the Florida Retirement System; instead the City has its own pension plan. Myth or reality?

Reality – The City operates and administers its own pension plan called the City of Clearwater Employees’ Pension Plan.

Points awarded to the Money Maniacs?

3. This question is for the Finance Fanatics. The City processes about 200 pension payments each month to retired City employees.

Myth – the correct number is over 1,000 retired employees.

Points awarded to Finance Fanatics?

4. This question is for the Money Maniacs. There are currently 11 employees who work in the Payroll Division of Finance.

Myth – There are 4 employees in the Payroll Division and they are responsible for processing the biweekly payroll for approximately 2,000 employees and monthly pension payments for over 1000 retirees. They are

assisted by approximately 25 “payroll preparers” in departments throughout the City that enter timesheet information for employees in their departments.

Points awarded to Money Maniacs?

Our second set of questions relates to the City’s Treasury Division.

5. My first question is for the Finance Fanatics. The City writes about 75 checks per day to pay the City’s bills.

Reality – The Treasury Division has an on-going process of paying bills daily, so that an average of 75 checks are written each business day. The City also pays many bills via electronic transfer through the banking system. One of the innovative methods the city uses to pay electronically is called “EPay”, where bills are essentially paid electronically via credit card to vendors who accept credit card payments. The City currently receives a rebate of approximately one and one half percent of the total of all invoices paid by this method. The most recent annual rebate received in January 2011 was in excess of \$86 thousand dollars. In addition to the rebate, paying by credit card versus cash gives the City an additional 20 days or so to invest our cash for additional interest earnings. The City of Clearwater was one of the first governments in this area to implement an “EPay” payment method and has been used as a model for other governments.

Points awarded to Finance Fanatics?

6. This question is for the Money Maniacs. The City has 6 checking accounts, one for each major fund, with 3 different local banks.

Myth – The City operates only one consolidated bank account with each of the City’s funds having an “equity” position in that account. The City’s bank is selected through a competitive process, with the objective to obtain the best possible service at the lowest possible cost.

Points awarded to the Money Maniacs?

7. This question is for the Finance Fanatics. On an average day, the City deposits over 300 pounds of coins.

Reality – the major source of these coins is the collections from the City’s parking meters. During spring break we can average over 500 pounds of coins per day. The City has been reducing the volume of coins with the installation of new parking meters and stations that accept credit card payments.

Points awarded to Finance Fanatics?

8. This question is for the Money Maniacs. The City makes only 1 consolidated bank deposit each day.

Myth – The City averages about 35 deposits per day. Each facility that collects funds prepares a deposit each day and insures that it gets to the bank in a timely manner. This could be a recreation center, a library, or any other location that collects fees. The department also prepares a report that is electronically sent to Finance, which notifies us of the amount that is deposited, and what type of revenues the funds should be credited to. Finance matches those reports with the deposits received at the bank. Finance has online access to the account and does a daily download of information so that we are current with what is going on with our account.

Points awarded to Money Maniacs?

Our third set of questions relates to the City's Purchasing, and Accounting Divisions.

9. This question is for the Finance Fanatics. The City's purchasing division issues approximately 200 purchase orders per month.

Myth – The purchasing division issues between 300 and 425 purchase orders each month. Only those purchases expected to cost over \$2,500 per department per year must be purchased via a formal purchase order. Generally, purchases greater than \$50,000 must be put to formal bid and must be approved by the City Council if they exceed \$100,000.

Points awarded to Finance Fanatics?

10. This question is for the Money Maniacs: The City has 33 City credit card holders (City Council, City Manager, Asst. City Managers, and Department Directors) who can make credit card purchases for expenditures under \$2,500.

Myth - The City has approximately 625 credit card holders throughout the departments. There are approximately 1,800 monthly transactions totaling over \$300,000 per month. Credit card transactions are limited through very tight controls, and are monitored daily. Most credit card, or "P-Card", transactions are small dollar purchases such as materials, supplies, and postage. However, due to the cash rebate of 1.5% earned on all credit card purchases, departments also use P-Cards whenever possible for large dollar items such as construction contracts, professional services, etc.

Points awarded to Money Maniacs?

11. This question is for the Finance Fanatics. The City must maintain separate accounting for 11 different funds or business entities (General Fund, Water and Sewer Fund, Marina Fund, Gas Fund, etc.).

Myth – The City has 32 separate funds for annual financial reporting, each of which requires the maintenance of a full separate set of "books" or accounting records. Additionally, hundreds of additional funds, capital projects, and special programs must be accounted for separately throughout the year for legal compliance purposes, but are combined for annual financial reporting. In addition to the separate reporting of each of the 32 funds at year-end, all are combined for consolidated City-wide financial statements.

Points awarded to Finance Fanatics?

12. This question is for the Money Maniacs. The Finance Department is responsible for the reconciliation of nearly \$200 million dollars worth of City capital assets, including land, infrastructure, buildings, machinery, and equipment.

Myth – The City has in excess of \$900 million dollars of capitalized fixed assets with a net book value, or undepreciated value in excess of \$600 million dollars. This includes over \$100 million of land and nearly eight thousand individual pieces of machinery and equipment that must be tracked and annually inventoried.

Points awarded to Money Maniacs?

The next set of questions relates to the City’s Risk Management and Safety Division

13. This question is for the Finance Fanatics. First, some background: The City of Clearwater is subject to various risks, like any other business or large entity. We could have a fire in any of our major structures. We could be sued and held liable if the courts determine we treat a citizen or employee unfairly or negligently (including Police arrests). Our vehicles could injure citizens even when properly responding to a fire alarm. Our employees could be injured while doing their jobs.

Now for the question: Of the following “risk” categories - Property claims, Public Liability, Auto Liability and Workers Compensation - the one we spend the most money on is our Auto Liability because we operate so many vehicles.

Myth - Our largest expense is Workers Compensation. Over the last five years, Workers Comp has averaged 57% of **all** of our expected claims costs.

Points awarded to Finance Fanatics?

14. This question is for the Money Maniacs. Of all of the Workers Compensation claims, the most frequently occurring are auto accident claims where Workers Compensation is the primary coverage response.

Myth – Over the past five years, the most frequently occurring Workers Comp claims are strain or injury by lifting.

Points awarded to the Money Maniacs?

15. This question is for the Finance Fanatics. The City is responsible for all injuries to citizens occurring on City property.

Myth – Unlike many homeowner policies that pay a certain amount to an injured guest without regard to homeowner negligence, the City must be found negligent and therefore is not usually legally liable for incidents occurring on City property.

Points awarded to Finance Fanatics?

16. This question is for the Money Maniacs. Unsafe acts by employees are the number one cause of City claims.

Reality – it is common belief throughout the safety profession that approximately 90% of all occupational injuries and illnesses are caused by unsafe acts. Over the last five years, our Workers Comp experience substantiates that belief.

Points awarded to the Money Maniacs?

The next set of questions relates to the City’s Debt Management.

17. This question is for the Finance Fanatics. The most common form of City debt is a bank loan.

Myth - The City normally utilizes two types of debt. The first one is called “lease purchase” debt, which is very similar to a personal car loan - the asset being purchased is collateral to the lender. It is used for items such as vehicles, computer systems, and equipment. The leases last from three to five years each. The other type of debt typically issued by the City is bonds. Bonds are often used to finance large

projects, such as a new water plant or library. Bonds are similar to a home mortgage in that they are long term with principal and interest payments that last from 20 to 30 years. Home mortgages are secured by real property; the security for the bonds is the revenue that is pledged to pay for them.

Points awarded to Finance Fanatics?

18. This question is for the Money Maniacs. When the City borrows money, it borrows at rates similar to what citizens with good credit history can borrow.

Myth – Due to the City’s excellent credit rating, we have historically been able to borrow at rates significantly lower. For a typical five-year lease purchase loan, the current rate would be less than 3%. Thirty year bond rates average around 4%. Currently the City is pursuing the refinancing of some Stormwater bonds to take advantage of historically low interest rates, along with increased demand for municipal bonds as investors exit the stock market in search of “safe” investments such as muni bonds.

Points awarded to the Money Maniacs?

19. This question is for the Finance Fanatics. The City gets a low interest rate solely because it has a good credit rating.

Myth - There are a couple of reasons. First, the City is able to issue debt that is tax-exempt. That means the people who buy the debt do not have to pay any federal income tax on the interest they receive, so they are willing to receive a lower rate. The other reason is because the city has an excellent credit rating (double AA minus).

Points awarded to Finance Fanatics?

20. This question is for the Money Maniacs. The City’s policy is to pay cash for all projects, unless the cost of borrowing is less than the interest rate earned on our cash.

Myth – In addition to the advantage of low borrowing costs, the City also often borrows for major projects to promote **taxpayer equity**. A good example would be if the City were going to build a new library. If the City taxed residents to save money for the library, and it took fifteen years until it could afford to start building the new library with cash, many of the citizens that paid for the library over that 15-year period would have moved on and will never benefit from the library. Similarly, future residents will receive the benefits of the library without having incurred the costs. If it is financed through debt, or bonds, the library gets built right away, and the citizens that benefit from having the library are the ones who pay for it as the debt is paid off.

Points awarded to the Money Maniacs?

The last set of questions concerns the City’s Financial Reporting and Investments.

21. This question is for the Finance Fanatics. The City is required to have an annual audit per IRS regulations.

Myth – It is the “City Charter” that requires an annual audit of the City’s “books” by an external CPA firm. Finance coordinates a team of approximately 20 key accounting personnel (many of them CPA’s) from various City departments to close out the City “books” for the City’s September 30th year-end and prepare the City’s comprehensive annual financial report.

Points awarded to Finance Fanatics?

22. This question is for the Money Maniacs. The City is not allowed to use the same external auditors for more than five years, with new replacement auditors selected via a competitive request for proposal (RFP) process conducted by a committee of City staff members chaired by the Finance Director.

Myth – While it is true that the City is not allowed to use the same external auditors for more than five years, and that the new auditors are selected via a competitive RFP process, the selection committee is not the “normal” RFP committee of City staff members, but instead, per State Statute, must be appointed by the City Council. Per Council Policy the Audit Committee includes a City councilmember and a citizen appointee, in addition to City staff members as appointed by the City Council.

As a side note: The City has received the prestigious “Certificate of Achievement for Excellence in Financial Reporting”, awarded by the Governmental Finance Officers’ Association, for 31 consecutive years. The certificate program prescribes the required format and disclosures necessary to provide full comparable reporting for the users of financial statements. Although the required format is admittedly “intimidating” to most readers, the City’s achievement of the award lends credibility to the City’s financial reporting, which can lead to higher bond ratings and lower costs of borrowing.

Points awarded to Money Maniacs?

23. This question is for the Finance Fanatics. The City’s operating cash, known as pooled cash, is slightly more than \$100 million dollars.

Myth – the City’s pooled cash, or operating cash, totals approximately \$335 million. City staff actively invests this cash and we have consistently outperformed our benchmarks. The operating cash is invested in fixed income securities, most of which are issued by the federal government or its agencies. The City’s policy on these funds is that safety is the most important factor in selecting an investment. We believe that the return **of** the investment is more important than the return **on** the investment.

Points awarded to Finance Fanatics?

24. This question is for the Money Maniacs. The City’s main pension plan has investments of over \$600 million.

Reality – The City’s main pension plan, the Clearwater Employees’ Pension Plan, does currently have investments in excess of \$600 million. City staff administers the plan and oversees seventeen different outside professional money management firms that manage the pension investments. The pension funds are diversely invested in the stock market, fixed income securities, and real estate. In addition to this diversity, the pension plan has managers of different styles that further reduce the volatility of the portfolio. The City employs a performance measurement consultant to provide performance information for the evaluation of each of the money managers at quarterly pension investment committee meetings.

Points awarded to Money Maniacs?

Well – that’s the conclusion of our game with the final score

Finance Fanatics _____

Money Maniacs _____

A special thank you to our contestants and to Carol, our scorekeeper, who will hand out the prizes. The prizes are little piggy banks made from recycled materials with a few foil-wrapped chocolate “coins” to eat. Everyone gets a prize.