



DATE: 03/09/09

TO: Mayor Harold Perrin & Finance Committee
cc: Jonesboro City Council & All Department Heads

FROM: Jim W. Barksdale, Finance Director

RE: City's Finances Year-to-Date as of 02/28/09

REVENUES (Receipts)

Year to date receipts as of February 28, 2009 are \$8.39M, or 15.7% of plan, leaving \$45.05M to be collected for the rest of the year. This is down from 2008, when we collected \$9.39M or 21.2% of plan. The target for the first two months for revenues received is 16.67% (or 2/12^{ths}).

The benchmark for the first two months for total revenue received is 16.67%. Total receipts YTD is \$8.39M, down from 2008's \$9.39M, leaving \$45.05M to be collected for the rest of the year, or roughly we have collected 15.7%.

Year to date, most permit fee revenues are down. Electric, plumbing, building, and burial permits are all less than 2008 figures year to date.

Privilege License revenues year to date are \$590K. We have collected 79.8%. This compares less favorably to 2008 which at that time we collected \$622K or 85% of revenues.

One significant item to note on revenues in the General Fund Miscellaneous 0517 account, you will see the year to date amount is \$303K which is \$200K more than what we budgeted. This is due to the FEMA money received from projects in 2008.

Sales Tax

Total sales tax through first two months of 2009 equal \$4.56M, which is up \$129K or 2.9% over 2008's total. Despite economic downturns, sales tax revenues continue to increase for City of Jonesboro.

State Turnback

State turnback year to date for 2009 is \$656K. We collected 20.0% which compares favorably to the benchmark of 16.67%.

Franchise

Franchise tax revenues totaled \$577K for 2009 which is favorable to 2008 when we collected \$483K through the first two months. The \$577K is 23.7% of collected planned revenues for 2009.

Interest Income

Interest income received in 2009 is down significantly from 2008 due to the change in rate from a little over 4% to a little over 1%. Total interest received YTD 2009 is \$61K compared to \$216K in 2008.

Other Income

Total JETS revenues year to date for 2009 is \$249K, or 16.3% of plan. However, it is slightly less than what we received in 2008 at this time by a little under \$200K. The reason for this is because there were bigger draw-downs of FTA funds for 2008 than what we have done this year.

A&P revenues are down slightly because of some collection issues with respect of collections from some of the local hotels. The City Collector is currently in process of visiting these hotels to make sure the City of Jonesboro gets more timely payments. Revenues year to date for February 2009 are \$24K with only 6.2% which compares less favorably to 2008 when we had \$53K or 16.3% collected.

Although fines are \$175K year to date at 16.4% of plan, they are \$15K less than 2008 at this period.

No revenues have been received for Natural Gas Service tax revenues for 2009. This is a new revenue item related to shale in Northwest Arkansas and taxes levied on natural gas mining.

EXPENDITURES (Disbursements)

As of February 28, 2009, the City of Jonesboro spent \$11.84M year to date (YTD) leaving \$45.24M left to spend of the 2009 budget. The target for the expenditures after two months is to have 83.3% (or 2/12^{ths}) of the budget remaining. Keep in mind, some departments will be lower because of one-time charges made during January for expenditures such as pension and workers' compensation insurance.

Capital Improvement Expenditures

As of February 28, 2009 Capital Improvement expenditures and encumbered items total \$4.67M leaving \$7.76M left to spend.

Bills Paid

In January, the Finance department processed 288 checks totaling \$7.049M; and in February, 334 checks were processed totaling \$2.702M. The total YTD as of 02/28/09 was 622 checks written and \$9.751M total disbursed from city bank accounts.

Payroll

The first two months of 2009, we processed four payrolls, with an employee average of 530 employees including part-time employees. The gross payroll paid for the two months was \$3.446M.

Assets Purchased

For 2009 year to date, we purchased 15 items for a total of \$148K with the two largest items being John Deere tractors for the Street Department.

Pension Funds

As of February 28, 2009, the Police Pension balance was \$9.81M, up \$201K versus 2008, or a 2% increase. During the same period, the Non-uniform Pension balance was \$4.46M or a change of \$67K or a 1% decrease in value.

Springbrook Update

Training Summary

During the 5 day visit to Portland, OR, I was introduced to the software on a very detailed level. Although my time there was short, I received in-depth training on all of the modules that we (the City of Jonesboro) use. This training specifically covered all processes and methods used in the Accounts Receivable, Cash Receipts, Building Permits, Licenses, Project Management, Human Resources, Fixed Assets, General Ledger, Payroll, Accounts Payable, Bank Reconciliation, Clearing House, Purchase Orders, and System Setup.

We spent more time on some process than others. The budgeting, project management, internal controls, chart of accounts and remote time entry processes were considered top priorities. Intensive training detailed specifically for the City of Jonesboro was undertaken.

At the completion of the training week, we had a review session to go over anything we may not have covered or not covered well enough. I spent some time taking support calls from other users throughout the U.S. to test my knowledge.

Issue Update

Since January 1, 2009 we have had 21 so called "issues" regarding Springbrook. These issues are not all software issues. Some issues derive from **lack of training or understanding of the software**. Others are due to lack of setup during the initial implementation. While there has been some legitimate software issues, these issues have been, or are being resolved. Of the 21 issues that we have, only 5 sit in either "pending" or "in progress" status. The issues that are pending are waiting on responses from either the IT department of City of Jonesboro or waiting on a recommendation from the ATA accounting firm (regarding chart of accounts). Once these responses are made, the issues will be resolved. All other issues have been resolved with a cost to the city of \$0.00 (referring to the above 21 issues). There are some issues that have been resolved using billable resources from Springbrook for no charge. This is not the complete list of issues. The issues mentioned are large scale issues that require research, training, or programming to fix. Smaller issues that get resolved with a phone call do not make this list. Springbrook can provide us with a detailed support call query that shows every support call we have had since the software install.

Site Visit

The Vice President's of Support and Marketing/Sales from Springbrook Software will be visiting the City of Jonesboro. This visit was scheduled to address the team project of "Re-implementing" the Springbrook software for the City of Jonesboro. This re-implementation includes a Business Process Study, Departmental Meetings, Detailed Project Plans, Timelines for Completion, and a Presentation to the City of Jonesboro Council. This visit is to address the growing concerns that the City of Jonesboro is not making progress in fixing the financial situation. Springbrook has developed a detailed project plan to address all issues regarding the City of Jonesboro and Springbrook Software. Springbrook has shown its dedication to the City of Jonesboro by making this project a team effort.

Business Process Study

I initiated a BPS to help with the project plan that Springbrook is developing. Also, I wanted the Mayor and the Council members to have the proper data to make a educated decision. The decision to keep Springbrook or to convert to a different software is not an easy decision to make. Springbrook's last site visit revealed that the City of Jonesboro was only using the software at 30% capacity; the study focused on how the departments were currently using the software, what the departments wanted the software to do (the needs), and whether or not the software can offer that to them. Initial analysis show that **90% of the departments are not using the full capacity of the software**, their needs will be addressed with proper use of the software, and many of the needs the departments have, the software can offer them. The other 10 % of the departments need much more than a "Financial Software" can offer them. Their needs may require a "department specific" software. For example, Human Resource has very specific reporting and tracking needs. Springbrook is financial software with a HR component that is accounting based. Human Resource needs a HR specific software (such as PeopleSoft). However, some if not most of these needs have been addressed in Version 7. The same situation occurs in the Public Works Department. Public Works (PW) currently has a PW's specific software (Cartergraph). This software is specifically designed for PW's. It does not offer accounting processes. If the needs of PW's are not being met then this may be a issue with their current PW's software. The financial needs of PW's can be met with current version of Springbrook. Version 7 offers many new features that can be of use to the PW's department, including project management and extended budgeting. Additional research and data collection is needed to complete this study. I will continue to collect data as needed, until the study is supported.

Springbrook Visit

The Springbrook visit was very successful. Scott Stickel from Springbrook Software was at City Hall from Monday morning to Tuesday evening. During his visit, we met with several departments and he presented to the Council at their Tuesday night meeting. The purpose of this visit was to establish our plan of action for the re-implementation project. Scott made Springbrook's dedication very clear. Currently they have spent in excess of \$120K in billable work. They have charged us \$0.00. By the end of the project they expect to have spent close to \$200K on this project. The main premise of his presentation was that Jonesboro and Springbrook are a team and we have made some progress, but we will continue to make progress.

Scott spent some time with Human Resources (HR) on Monday. I feel he accomplished a great deal in this meeting. HR is one the departments that does not use Springbrook to its full potential. They use it for the things that they are required to use it for, otherwise they use other means. The goal of his meeting was to address their issues they were having with the software, many of which stem from not having proper training. Although the HR module is not completely fulfilling for HR it does offer some functions that would allow for better efficiency. Scott has planned to do a HR specific demonstration of the Version 7 software. Both he and I feel V7 will better suit their needs.

Monday afternoon was spent meeting with the department heads of Public Works (PW). The same approach was taken with this group. He wanted to address their needs and wants for a software. We also conducted a mini-interview of how the current building permits process works. We found 5 major in-efficiencies. These inefficiencies stem from lack of knowledge, and training of the software. The software was never setup correctly. They are using two modules to do one process when one module will do all processes. The department heads are not to blame, however. They were never properly trained on how to use the system and setup the system to reflect their processes. Scott and I visited after the meeting for a bit to discuss a plan to get this group back on track. We are going to install version 6.6. The only change in this version is to the Building Permits module. It allows for more flexibility. Also, the building permit process needs to be redesigned to aid in efficiency. An in-depth Business Process Study (BPS) will be needed.

Scott Stickel met with Mayor Perrin Tuesday. He outlined our project plan and the presentation for the council meeting. We discussed our end goals and an abbreviated timeline for these goals. The Mayor was very pleased with our report. We will continue to provide a bi-weekly report to the Mayor outlining where we are at in the project.

Chart of Accounts Update

We are still in the process of revising and updating the Chart of Accounts and the number of funds. Our consultants and auditors from ATA are currently here and are in the process of helping to reconcile the cash fund balances and to assist us with the revision of the Chart of Accounts. There are over 2K General Ledger accounts and there are 20 funds currently listed. By the time we are through with this project, the total number of funds will be 10 or less and we hope to reduce the Chart of Accounts by 10-15%.