



## City of Wasco

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# FINANCE DEPARTMENT ORGANIZATION, POLICIES AND PRACTICES REVIEW

July 2020



**William C. Statler**

Fiscal Policy ■ Financial Planning ■ Analysis ■ Training ■ Organizational Review

**City of Wasco**  
**FINANCE DEPARTMENT ORGANIZATION,**  
**POLICIES AND PRACTICES REVIEW**

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### REPORT PURPOSE

This purpose of this report is to provide a “high level” review of the Finance Department’s organization, policies and practices for possible improvements in effectiveness and efficiency, as well as identifying areas that are functioning well.

This interest stems from past challenges facing the City’s finance operations as well as the long-term vacancy in the Finance Director position. Before recruiting and filling this key position, the City Manager wants to provide the new Director with a useful roadmap so she or he can hit the ground running in addressing key issues.

Accordingly, the City Manager contracted with me to provide this review. This report presents my findings and recommendations. It is followed by an Appendix that includes an overview of the City and its finances along with supplemental information about the workscope, methodology, findings and consultant qualifications for this assessment.

### SUMMARY OF FINDINGS AND RECOMMENDATIONS

As detailed later in this report, key findings and recommendations are organized into five areas:

#### “High Level” Review

**What does this mean?** Given limited time and resources, this review was performed at a “reconnaissance” level.

This means that where key issues surface regarding the Finance Department’s organization, policies and practices, this report is limited in providing detailed, task-by-task recommendations. However, it provides useful descriptions of current operations and any significant problem areas where improvements are needed for efficiency, effectiveness or appropriate internal control. It also identifies areas where additional follow-up review is needed. On the other hand, it also identifies areas that are functioning well.

Lastly, where appropriate, it presents practical recommendations for improvements that reflect the City’s resource constraints.

## Finance Department Organization, Policies and Practices Review

- **Finance Department Strengths.** Areas where the City’s finance operations are doing well, including “clean” audits, internal controls and budgets.
- **Leadership, Morale and Productivity.** Stated simply, the Department is facing significant leadership challenges in creating and sustaining a high-morale, high productivity organization. Given the technical strengths of the Accounting Manager and Accounting Supervisor, this means that in the search for a new Director, the emphasis should be on someone who will instill trust and bring strong leadership and communication skills to the position in developing a positive organizational culture with a clear mission, vision and values for the Department.
- **Staffing and Organization Review.** Finance staffing and organization are reviewed in the context of six benchmark cities as well as my experience as a senior manager and consultant in other organizations. In short, the current organization and staffing levels are appropriate for the services that the Department provides. However, the “best” department organization is often more “art than science.” Other reasonable staffing organizations are possible, such as returning to all front-line positions being overseen by the Accounting Supervisor. Accordingly, while not a critical issue, reviewing the Finance organization should be an early task for the new Director.
- **Operations.** Four key areas where policies and practices could be improved: utility billing, purchasing, annual financial reporting and cost allocation plan.
- **Professional Development.** Several low-cost options are presented in developing and maintaining strong skills for the professional staff (Director, Accounting Manager and Accounting Supervisor) as well as front-line staff.

### WORKSCOPE AND METHODOLOGY

As presented in more detail in Appendix B, the workscope and methodology included:

- Document review, including audited financial reports, budget, policies and procedures.
- Interviews with Finance staff and stakeholders, including pre-interview survey.
- Benchmark analysis.

### FINDINGS AND RECOMMENDATIONS

#### ❶ Finance Department Strengths

By its nature, this report focuses on areas needing improvement in the City’s financial operations. However, there are a number of organizational strengths, including:

- **Clean Audits.** The City has a longstanding history of receiving unqualified (“clean”) audit opinions from its independent outside auditors, who have stated the City’s financial statements fairly presents its financial condition and results of operations in conformity with generally accepted accounting principles.

## Finance Department Organization, Policies and Practices Review

- **No Material Internal Control Weaknesses.** The City’s independent auditors have not found any material internal control weaknesses in the District’s accounting procedures and operations. Moreover, in reviewing one of the most important internal controls - bank statement reconciliations – I found them timely, accurate and well-organized.
- **Budget Document.** The City has an excellent Budget document that reflects key elements of “best practices,” such as goals and objectives, program descriptions and fiscal policies. Given its strengths, the City should consider presenting it for consideration to either the Government Finance Officers Association of the United States and Canada (GFOA) or the California Society of Municipal Finance Officers (CSMFO) award for excellence programs. While the recognition for using “best practices” is rewarding, the main value is receiving comments from independent, professional reviewers for continuing improvements in making a good budget even better.

In short, while the Finance Department is facing challenges in other areas, it has solid day-to-day operations in place. The City and its Finance staff can be proud of their achievements in these areas.

### ② Leadership, Morale and Productivity

Based on interviews with twenty City employees (ten within the Finance Department and ten “stakeholders” from the outside of the department), the City’s independent auditors and the results of the pre-interview survey (Appendix D), it is clear that there are significant morale problems within the Finance Department. While some of this is understandable in light of the turnover and instability in the City Manager, Finance Director and front-line staff positions, it largely rests with department leadership and communication. (This includes both the lack of communication; and when this does occur, ineffective communication.)

There are deep pockets of mistrust within the Finance Department. Whether warranted or not (the tough fact is that perception is reality in terms of its organizational impact), there is the perception among many in the department that their opinions and contributions are not wanted or valued – and in fact would be received with disapproval if offered. This leads to a “just keep your head down” attitude among many Finance staff members, resulting in lost opportunities for continuous improvement.

In short, the pirate captain’s adage that the lashings will continue until morale improves is an unlikely strategy for success in building and sustaining a high-productivity organization.

Given the current technical strengths of the Department, this means that in the search for a new Director, the emphasis should be on someone who can instill trust and bring strong leadership and communication skills to the position in developing a positive organizational culture with a clear mission, vision and values for the Department.

With trust, anything is possible. Without it, nothing is.

Ken Hampian,  
Retired City Manager

## Finance Department Organization, Policies and Practices Review

**Improved communication within the department.** Along with straightforward, timely and responsive communication as specific issues arise, I recommend augmenting this with more structured communication opportunities, such as:

- Weekly “one-on-ones” with subordinate staff. Sharing of priorities, unexpected challenges and feedback on performance should be ongoing conversations, and not a once-a-year topic at annual reviews.
- Weekly/bi-weekly management staff meetings.
- Weekly/bi-weekly division meetings.
- Monthly all-department staff meetings. Consider rotating responsibility for meeting facilitation among all staff members and making periodic “field trips” to operating department locations/facilities.
- Quick “huddles” on “hot topics.”
- Developing standard on-boarding “rituals” for new employees that include site visits to key District facilities. Establishing an effective new employee orientation program will be especially important as vacancies are filled in the future.

### ⑤ Staffing and Organization Review

The Finance Department is responsible for budget, financial reporting, investments, accounts payable, payroll, general accounts receivable, business licenses and utility billing. The Department is also responsible for overseeing the City’s dial-a-ride transit services.

**Staffing.** In providing these services, the Department currently has 11.0 authorized regular employees, nine of which provide financial services.

Finance Regular Full-Time Staffing	
Director	1.0
Accounting Manager	1.0
Accounting Supervisor	1.0
Accounting Assistant/Technician	5.0
Executive Assistant/City Treasurer	1.0
Finance Operations	9.0
Transit Drivers	2.0
<b>Total</b>	<b>11.0</b>

Unfilled Staff Accountant/Financial Analyst position

Based largely on the results of benchmarking the Department’s staffing with six comparable cities (Appendix C) as well as my experience as a senior manager and consultant with other agencies, I believe that staffing levels are appropriate for the finance services provided. (This assumes that the infilled staff accountant/financial analyst position remains vacant.)

**Finance Organization.** The following summarizes the Department’s current organization:

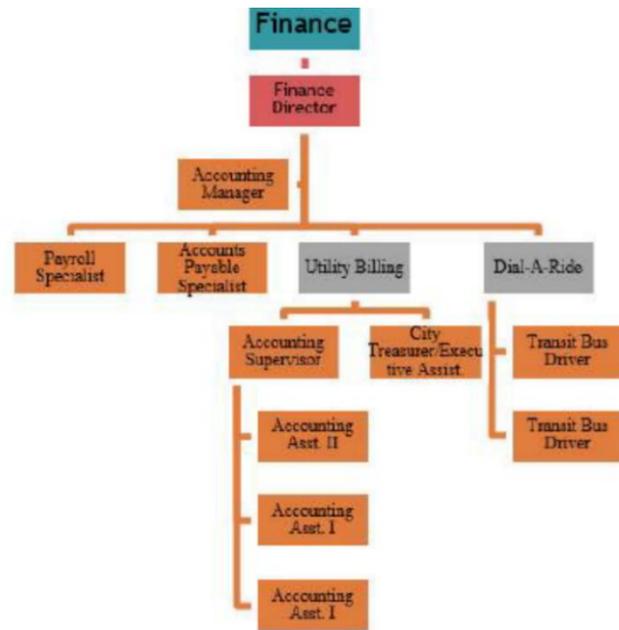
## Finance Department Organization, Policies and Practices Review

As noted above, this organization is appropriate for the services that the Department provides. However, the “best” department organization is often more “art than science.”

Other reasonable staffing organizations are possible, such as returning to all front-line positions to being overseen by the Accounting Supervisor. Accordingly, while not a critical issue, reviewing the Finance organization should be an early task for the new Director.

### ④ Operations

There are four key areas where policies and practices could be improved: utility billing, purchasing, annual financial reporting and cost allocation plan. (It should be noted that at the July 1 stakeholder briefing, the Accounting Supervisor stated that the Department is already in the process of implementing several of the recommended changes.)



### *Utility Billing*

The City provides utility billing for water, wastewater and refuse services to 5,500 customers. The following highlights two areas where billing operations could be improved, for both department efficiency and customer service: payment processing and weekly billing.

**Payment processing.** Interview feedback and pre-interview surveys surfaced concerns that an undue amount of time is being used to process payments. As reflected below, compared with how payments are processed on one central coast city, these concerns are real:

	Wasco	San Luis Obispo
Automated phone line (IVR)	-	3%
Over the phone	11%	-
Over the counter	66%	5%
Mail	13%	31%
Web site	10%	21%
Automatic e-payment	-	40%

In interviews with Finance staff, many believed the solution was a better phone system (like IVR: interactive voice response). However, as reflected above, the best solution (for staff and customers) is a more effective web-based system.

In Wasco, on-line payments only account for 10% of payments. However, in San Luis Obispo, over 60% of payments are made through the City’s web site – and most of these

## Finance Department Organization, Policies and Practices Review

(40%) are automatic payments. Even in the more common of payment approaches (mail), which is fairly efficient for Wasco since it uses a lock box, only 13% of its customers pay by mail compared with 31% in San Luis Obispo.

In making better use of technology in improving productivity as well as customer service, the City needs to work closely with its software provider in developing a web site that is more appealing and user-friendly in attracting more customers to use its on-line payment feature.

**Weekly billing.** The City currently contracts for meter reading, which may not make moving to weekly billing possible. However, organizing customers into four billing cycles per month would allow for a “flattening” of billing and collections, resulting in a continuous process rather than one with peaks and valleys. The City should work with its vendor to see if more frequent reading (even if semi-monthly) is feasible.

### *Purchasing*

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The City operates a largely decentralized system, where most purchases are initiated and managed by the operating departments, with centralized review by Finance. This is in the mainstream of practices for smaller local government agencies like the City.

However, the City’s purchasing policies were last updated in 1999 – over 20 years ago. The following summaries policies for supplies and equipment (there are no formal policies for consultant services or operation/maintenance contracts like janitorial and landscape maintenance services).

Process	Award Authority
<b>Open market: under \$500.</b> No specific competitive bidding requirements.	Department
<b>Informal bidding: \$500 to \$10,000.</b> Award based on three verbal quotes for \$500 to \$5,000; and three written quotes for more than \$5,000 to \$10,000.	Finance (Purchasing Agent)
<b>Formal bidding: more than \$10,000.</b> Formal bidding procedures required.	Council

Most agencies have adopted greater purchasing discretion for staff, with no specific bidding requirements for purchases of \$2,500 to \$5,000; and informal bidding limits of \$25,000 to \$50,000. Additionally, it is unusual (but not unheard of) to make a distinction for informal bids between verbal and written quotes: most (with higher limits) require written bids (this may have delayed award in the past, but this is not the case any longer with email).

Moreover, most purchasing ordinances explicitly address services, with the most effective ones in a decentralized environment like the City, following similar limits as supplies and services, while recognizing that other factors than price should come into consideration in making the award (such as understanding of the workscope, proposed approach to the work and experience in providing similar services to others).

## Finance Department Organization, Policies and Practices Review

The following two changes are recommended in improving the City's purchasing practices while retaining appropriate internal control.

- **Update purchasing thresholds and authority limits.** Decentralized systems work best that are consistent and easily followed by the operating departments. Along with updating thresholds since they were last reviewed in 1999 for the passage of time, the City should integrate thresholds for all purchases: supplies, equipment, services, consultant contracts and construction projects; and link procedures with authority levels. In short, along with threshold amounts, the process is defined by who has the authority to approve it.
- **Change when the Council is involved in the formal bid process.** Like many local governments, the Council is not involved in the purchasing process until the award stage. There are two problems with this late involvement:
  1. Detailed bid packages defining the items to be purchased and the process for doing so have already been prepared, limiting the Council's input into this and making any changes awkward at best (and most likely requiring the issuance of new invitations for bids or requests for proposals). This requires added staff work, which was likely very extensive to begin with, and delays the purchase of needed supplies, equipment, services and construction projects.
  2. And when the Council does become involved, it is for the relatively simple ministerial task of determining who submitted the lowest bid.

It makes more sense to move the Council's involvement to an earlier stage in the formal bid or request for proposal (RFP) process, where it can better exercise policy discretion: approval of the bid (RFP) package and authorization to invite bids or request proposals.

This provides the Council with meaningful discretion on whether to purchase the item at all and at what cost; and to define the work scope and the term and conditions of the purchase. However, once these parameters are in place, this approach delegates to staff the ministerial action of determining who submitted the lowest bid. In those few cases where bids come in above budget or there are other unexpected issues (such as bidder protests), bid award would return to the Council. This revision would make purchasing more efficient while retaining appropriate internal controls and more meaningfully involving the Council in the purchasing process.

Because it is often difficult to find the time to do this type of update in the press of day-to-day needs, many cities have found success in contracting for a comprehensive review.

### *Annual Financial Reporting*

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**Best practice: consider preparing a “comprehensive annual financial report” (CAFR).** While the City routinely receives “clean” audit opinions, it only prepares “basic” financial statements. The “best practice” is to prepare a CAFR that covers not just “major funds,” but

all of the City's funds. (It should be noted that the City has chosen to expand its "basic" financial statement to include all funds).

Moreover, CAFR's include Transmittal Memorandums (similar in concept to the Budget Message) in highlighting key issues and results for the year, as well as a report called "Management's Discussion and Analysis" that addresses industry standard financial measures. Lastly, CAFR's provide ten-year tables on key financial trends such as revenues, expenditures, debt management, and economic and demographic characteristics.

While this "best practice" in annual financial reporting can take significant effort to prepare the first year, subsequent updating is relatively simple.

**Complete audits sooner.** The industry standard is to issue audits within 180 days after year-end (December 31 in the City's case). The City's audited financial statements for 2018-19 were not presented for Council consideration until May 2020. While there are reasons why audit completion is delayed this year, the City should complete this sooner in the future.

### *Cost Allocation Plan*

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The City follows "best practices" in using a formal cost allocation plan in apportioning indirect costs like city manager, city attorney, finance and human resources to direct cost programs like planning, street maintenance, water, wastewater and refuse. However, the most current plan was prepared by staff in 2008 (although at the stakeholder briefing on July 1, the Interim Finance Director stated that the plan was administratively updated in 2016). It should be updated and revised at least every two years.

### **5 Professional Development**

One of the strategic issues set forth for Finance in the 2019-20 Budget is: "Provide professional development opportunities for City Staff to improve services provided to the residents of Wasco."

Membership and active involvement in the CSMFO are the most effective ways of meeting this goal. While the GFOA is also a highly regarded professional association, its training programs can be costly; and given its national focus, difficult to access. On the other hand, with over 2,000 members, the CSMFO offers high-quality, low-cost training, networking and professional development opportunities with an important California focus.

Accordingly, for a modest membership cost (\$110 per year for government members), the CSMFO offers a wide variety of professional development opportunities, including:

- Free "hot topic" webinars.
- Free "Listserve" (one of its most popular offerings) that allows members to ask and receive answers from 2,000 others on key fiscal issues, practices and policies.
- Low-cost in-person training on key topics such budgets, financial reporting, investments, legislative updates, long-term financial planning and policies.

- Regular regional meetings (geographical areas are referred to as Chapters).
- Members' only website with key financial management resources.
- Free coaching program.
- CSMFO Magazine, the digital periodical designed especially for public finance staff.
- Annual statewide seminar.

The professional staff (Finance Director, Accounting Manager and Accounting Supervisor) should be members and take advantage of the no and low-cost professional development opportunities provided by the CSMFO. Front-line staff can also benefit from CSMFO low-cost training programs like Introduction to Government Accounting and Cashiering.

### CONCLUSION

#### The Road Ahead

While there are challenges ahead of the City in implementing the changes recommended in this report, two things should be kept in mind:

- Given the staffing and organizational constraints that have faced the Finance Department, and the overall fiscal challenges that have faced the City organization as a whole, the Finance Department has still been able to successfully deliver day-to-day services and provide “best of class” work products in a number of areas.
- Charles Darwin observed that: “It is not the strongest of the species that survive, nor the most intelligent, but the ones most responsive to change.” Being responsive to the changes ahead of the City as it implements this report’s recommendations will be the key to a successful outcome.



William C. Statler

*Fiscal Policy ■ Financial Planning ■ Analysis ■ Training ■ Organizational Review*

### APPENDIX

- A. District Overview
- B. Workscope and Methodology
- C. Comparative Staffing Benchmarks
- D. Organizational Assessment Survey
- E. Consultant Qualifications



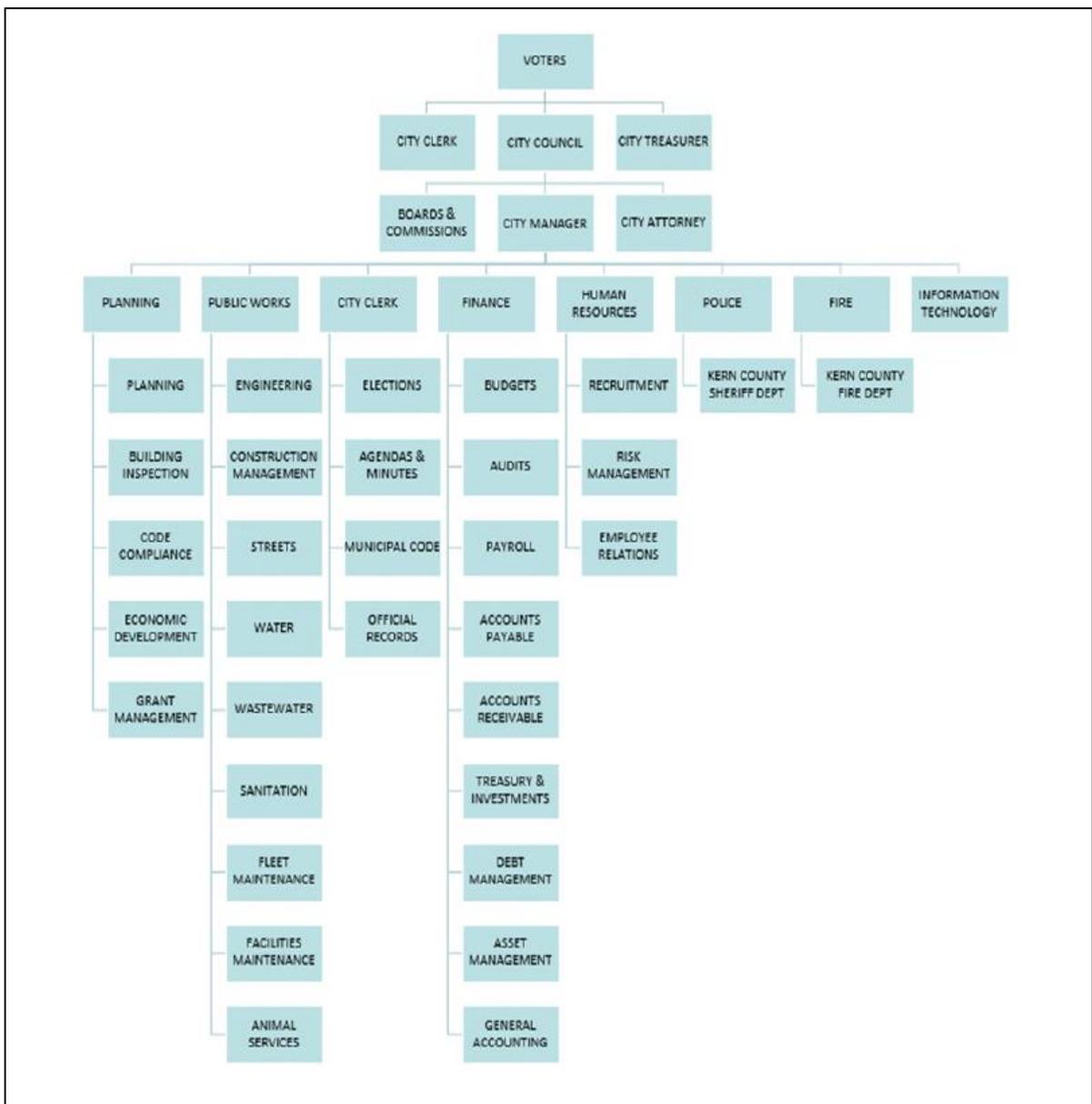
# Appendix A

## CITY OVERVIEW

Located in California’s San Joaquin Valley, the City of Wasco provides planning, building, street maintenance, animal regulation, water, wastewater, refuse and transit services to 28,000 residents and the business community. The City contracts with the County for police and fire services; and park and recreation services are provided by a special district.

The City is governed by a five-member City Council elected to four-year overlapping terms. The City Council selects one of its members to serve as Mayor and appoints a City Manager to conduct the day-to-day business of the City.

The City’s operations are organized as follows:



The following summarizes the City’s finances based on the 2019-20 Budget.

# Appendix A

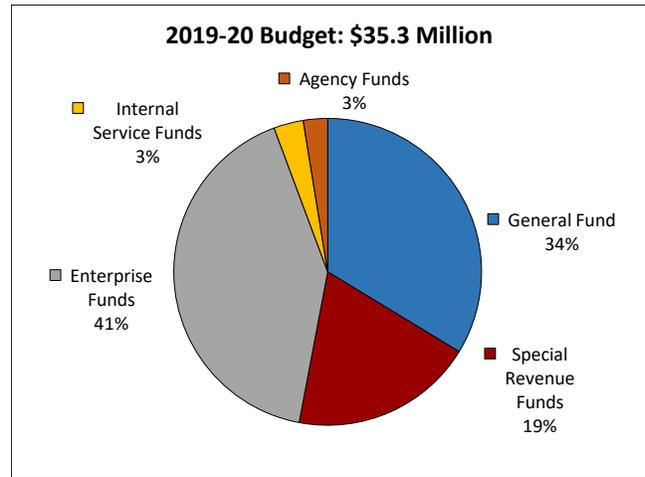
**Total Budget: All Funds.** The City’s total budget for 2019-20 is \$35.3 million.

In Millions	
General Fund	11.9
Special Revenue Funds	6.8
Enterprise Funds	14.6
Internal Service Funds	1.1
Agency Funds	0.9
<b>Total</b>	<b>\$35.3</b>

*Agency Funds include the redevelopment agency successor funds and public finance authority*

Enterprise funds (water, wastewater, refuse, CNG station operations and transit) account for the largest portion (41%), followed by the General Fund (34%).

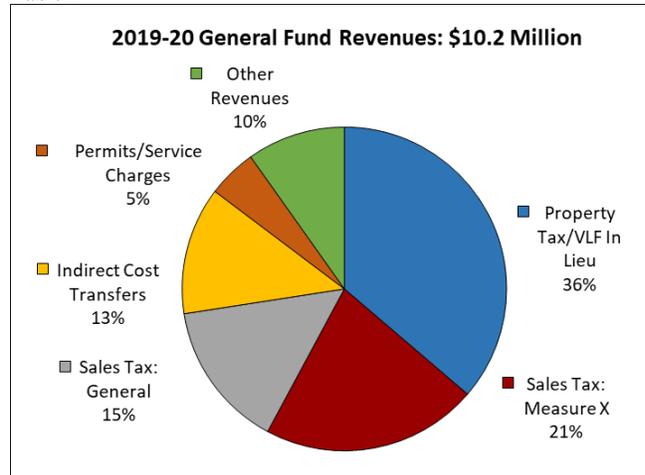
**Table 1**



**General Fund Revenues.** The City’s 2019-20 General Fund revenues are \$10.2 million. The top five revenues account for 90% of total revenues:

In Millions	
Property Tax/VLF In Lieu	3.7
Sales Tax: Measure X	2.2
Sales Tax: General	1.5
Indirect Cost Transfers	1.3
Permits/Service Charges	0.5
Other Revenues	1.0
<b>Total</b>	<b>\$10.2</b>

**Table 2**

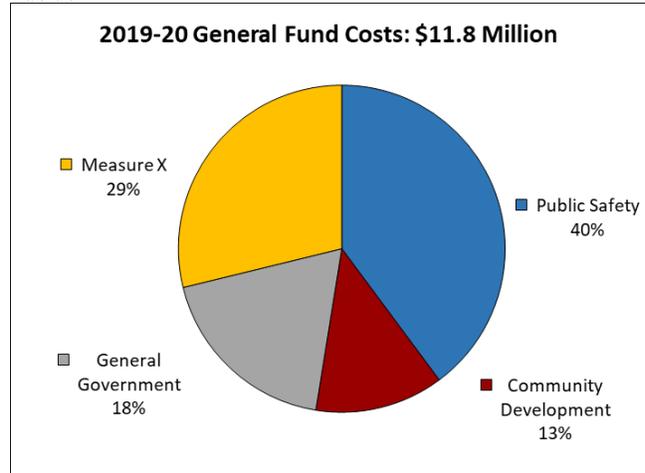


**General Fund Expenditures.** Total 2019-20 General Funds costs are \$11.8 million. Public safety is the largest cost category, followed by expenditures funded from Measure X.

In Millions	
Public Safety	4.7
Community Development	1.5
General Government	2.2
Measure X	3.4
<b>Total</b>	<b>\$11.8</b>

*Community development includes planning, building, economic development and public works engineering/administration.*

**Table 3**



### WORKSCOPE AND METHODOLOGY

As summarized below, the approved workscope identified seven basic tasks in reviewing the Finance Department organization, policies and practice, making recommendations and presenting the results.

#### 1. Project Kick-Off/ Data Gathering and Review

- Finalized workscope and schedule.
- Began gathering and reviewing key financial and organizational documents, including 2019-20 Budget, most recent audited financial statements, fiscal policies, financial procedures and interim financial reports.
- Project kick-off briefing with Finance staff and stakeholders. This was held before the staff interviews under Task 3. By briefing all key staff on the purpose of the project at the same time before beginning individual interviews, we ensured that everyone received the same background information; and individual interviews went quicker, since the background on “what and why” and context for the interviews had already been provided.

This briefing was held on February 25, 2020.

#### 2. Review Key Policies, Plans and Reports

Reviewed key background documents such as:

- 2019-20 Budget
- Audited financial statements
- Interim financial reports
- Auditors’ Management Letter and other supplemental auditor reports and recommendations
- Budget and fiscal policies
- Cost allocation plan
- Operating procedure manuals and other written materials on Finance operations and practices
- Purchasing ordinance
- Organization chart, job descriptions and other written materials on Finance’s mission, goals, policies, organization, plans and practices
- Bank statement reconciliations

#### 3. Interview Key Staff and Auditors

Over a two-day period (February 25 and 26, 2020), interviewed all Finance staff, ten “internal customers and stakeholders” and the City’s independent auditor regarding:

- Finance strengths and areas needing improvement.
- Perceptions on the quality, reliability and timeliness of reports and services provided by Finance.
- Opinions on the reasons for areas needing improvements and possible solutions.
- Other areas that surfaced during the course of the interviews.

## Appendix B

As determined in close consultation with City staff, twenty staff members as well as the independent auditor were interviewed:

### Finance

- Dan Briney, Interim Finance Director
- Diego Viramontes, Accounting Manager
- Israel Perez-Hernandez, Accounting Supervisor
- Lamar Rodriguez, Executive Assistant and City Treasurer
- Monique Vasquez, Accounting Assistant
- Katheryn Virrey, Accounting Assistant
- Yolanda Tinajero, Accounting Assistant
- Esperanza Pineda, Accounts Payable Specialist
- Monica Flores: Transit Driver
- Mayra Salinas Medina: Transit Driver

### Stakeholders

- Daniel Ortiz-Hernandez, City Manager
- Mariana Sobolewski, Assistant to the City Manager
- Maria Martinez, City Clerk
- Nancy Vera, Human Resources Manager
- Biridiana Bishop, Public Works Director
- Cinthia Ugalde, Public Works Executive Assistant
- Cesar Montes, Public Works (Water)
- Keri Cobb, Community Development Director
- Evelyn Murillo, Assistant Planner (Community Development)
- Debbie Andreotti, Executive Assistant (Community Development)

### Independent Auditor

- Mark Albert: Mark Albert & Associates

The interviews were preceded by an on-line survey instrument in order to better surface key areas for discussion in the interviews (See Appendix D).

In all cases, an overview of the project, and the purpose and use of the surveys and interviews, was discussed with all participants (this was largely addressed as part of the kick-off briefing).

## 4. Document Operational Practices

Working closely with Finance staff, documented key operations and practices, including:

- Accounts payable
- Purchasing
- Accounts receivable
- Payroll
- Financial reporting

## Appendix B

- Monthly, quarterly and year-end closing procedures
- Bank statement reconciliations

### **5. Benchmark Finance Staffing and Services with Comparable Agencies**

Compared key benchmarks of Finance services and staffing with six similar cities (See Appendix C).

### **6. Prepared Draft Report**

Prepared draft report on May 22, 2020 and presented preliminary findings and recommendations to the City Manager, Finance staff and stakeholders on July 1, 2020.

### **7. Prepared and Issued Final Report**

- Incorporated any staff comments and changes from Task 6.
- Prepared and issued final report in an electronic format on July 2, 2020.

### COMPARATIVE STAFFING BENCHMARKS

The Finance Department review workscope called for comparing key staffing benchmarks with comparable cities. The following outlines the key factors considered in selecting six benchmark agencies:

- Dinuba (25,328)
- Galt (26,489)
- Lathrop (24,936)
- Lemoore (26,527)
- Riverbank (25,318)
- Shafter (20,886)

#### Background

The key to effectively comparing one agency with another is to find agencies with similar characteristics. In the case of assessing the City's Finance Department, this means finding cities that are comparable in:

- Population and demographics
- Location
- Services provided

Once similar agencies are identified, comparisons can be made on a ratio basis, such as Finance staffing relative to total staffing or per \$1,000,000 of revenues. However, these types of ratios are only meaningful where the benchmark agencies are in fact comparable using the above criteria.

It is important to stress that there are no "perfect" fits: every city is different. However, the goal is to find the best benchmark in making meaningful comparisons.

#### Selected Benchmark Agencies

The following criteria were used in identifying candidate benchmark agencies:

- Population between 20,000 and 40,000.
- Central Valley location.
- Provide similar services.
- Similar sized organizations, with total expenditures \$24 million and \$49 million (compared with City expenditures of \$35.3 million in the 2019-20 Budget).
- Favorable governance reputation. This was assessed at a high level by determining if the city has received awards for excellence in financial reporting or distinguished budget presentation from the Government Finance Officers Association of the United and States and Canada (GFOA).

As reflected below, finding cities that provide similar services was especially difficult. For example, the City contracts with the County for police services, whereas all of the candidate cities provide this service in-house except for Riverbank; and park and recreation services are provided by special district, whereas all of the candidate cities provide this service in-house (Shafter has a "hybrid" situation under which it provides park service but recreation programs are provided by a special

## Appendix C

district). However, all of the candidate benchmark cities provide water and wastewater services except for Arvin.

There were three steps in selecting benchmark agencies:

**Step 1: Identify cities in California with populations between 20,000 and 40,000.** There are 482 cities in California; of these, 91 have a population between 20,000 and 40,000.

**Step 2: Narrow the field to candidate agencies.** Of the 91 California cities with a population of 20,000 to 40,000, 14 of these (including Wasco) are located in the Central Valley. The following summarizes these cities in alphabetical order, providing the following information for each:

- Population
- County location
- Percent of Latino residents
- Summary of services provided
- GFOA awards for excellence in financial reporting or budgeting

**Cities Between 20,000 to 40,000, Central California**

**Table 1**

City	County	Pop	% Latino	Services					GFOA Awards	
				Police	Fire	Park/Rec	Water	Sewer	Budget	Audit
Arvin	Kern	22,178	92.7%	x		x		x		
Atwater	Merced	31,470	52.6%	x	x	x	x	x		
Corcoran	Kings	21,832	62.6%	x	x	x	x	x		
Dinuba	Tulare	25,328	84.4%	x	x	x	x	x	x	x
Galt	Sacramento	26,489	42.8%	x		x	x	x		x
Lathrop	San Joaquin	24,936	42.6%	x		x	x	x		x
Lemoore	Kings	26,257	40.0%	x	Volunteer	x	x	x		x
Oakdale	Stanislaus	23,807	26.1%	x	x	x	x	x		
Patterson	Stanislaus	23,764	58.6%	x	x	x	x	x		
Reedley	Fresno	26,666	76.3%	x	x	x	x	x		
Riverbank	Stanislaus	25,318	52.1%	Contract		x	x	x		
Sanger	Fresno	27,094	80.5%	x	x	x	x	x		
Shafter	Kern	20,886	80.3%	x		x	x	x		
Wasco	Kern	27,955	76.7%	Contract	Contract		x	x		

*Note: Soledad with a population of 26,079 located in the Salinas Valley, with a correctional facility nearby, would normally be a strong benchmark candidate. However, it contracts for virtually all of its financial operations.*

**Step 3. Select benchmark cities.** The final step is to further refine the data and select benchmark cities that are the best fit. As noted above, none of these cities are a good fit in terms of services provided. However, along with population and location, the following were key factors in selecting the six benchmark cities:

- *Dinuba, Galt, Lathrop and Lemoore* have received the GFOA award for excellence in financial reporting. Dinuba has also received the GFOA's award for distinguished budget presentation.
- *Riverbank* is the only candidate city that contracts for police services.
- *Shafter* is a neighboring city.

## Appendix C

### Benchmarking Results

Table 2 provides a summary of the benchmark cities' expenditures and authorized regular staff positions compared with Wasco.

**Table 2**

<b>Benchmark City Summary</b>			
City	Expenditures (In Millions)	Regular Staffing	Finance Staffing
Dinuba	39.3	121.0	14.0
Galt	45.6	152.0	11.0
Lathrop *	49.3	129.9	12.0
Lemoore *	32.0	122.0	7.5
Riverbank	24.2	44.0	6.5
Shafter	42.8	200.0	8.0
Wasco	35.3	70.5	9.0
Average (Excluding Wasco)	\$38.9	119.9	9.8

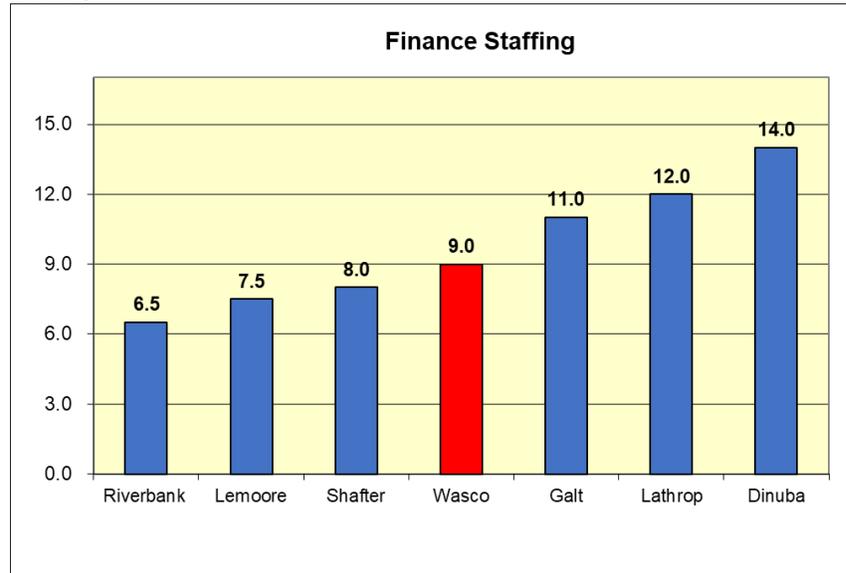
\* Operating Budget

The following charts show:

- Finance staffing
- Finance staffing per \$1,000,000 of total expenditures
- Finance staffing as ratio of total regular staffing

Table 3 shows that the City's Finance staffing is in the mainstream of the benchmark cities, with 9.0 positions compared with an average of 9.8 (excluding Wasco).

**Table 3**



## Appendix C

Table 4 shows that the City's Finance staffing per \$1.0 million of expenditures is also in the mainstream of the benchmark cities: it is within a narrow band of five cities that range from 0.27 to 0.23.

**Table 4**

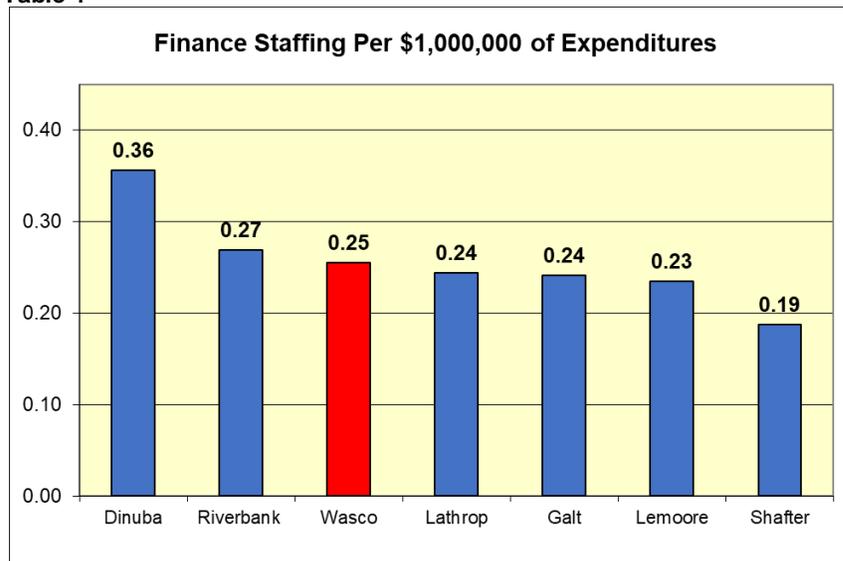
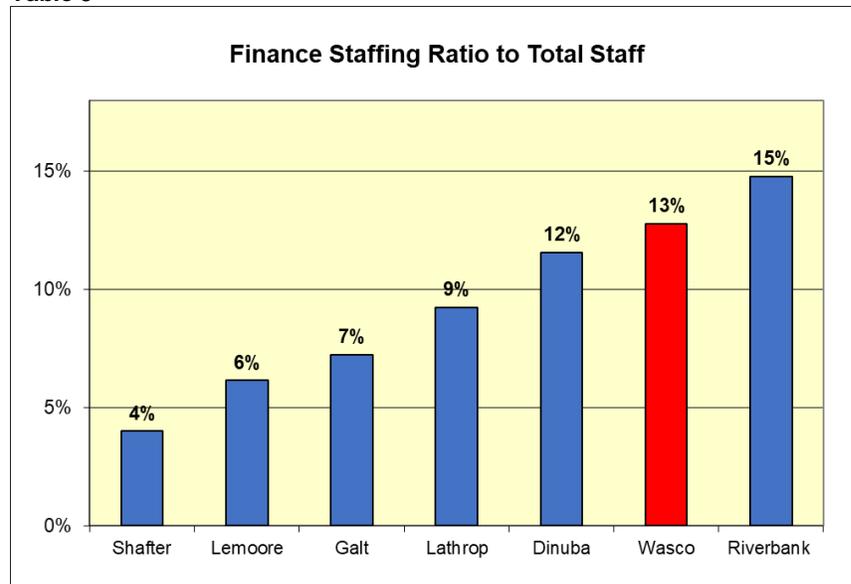


Table 5 shows that the City has a higher ratio than of Finance staff to total staff compared with the benchmark cities. This is largely due to the fact that the other cities have larger staffs (an average of 119.9 positions) compared with 70.5 in the City.

**Table 5**



This in turn is largely due to the fact that the City contracts for Police services while others provide this service in-house, with the exception of Riverbank (which has a higher ratio than Wasco).

This also reflects the fact that cities with similar size operations have core finance support needs for budget, accounting, general ledger and accounts payable, regardless of staff size. This is especially true for cities that provide water and wastewater services (and all of the benchmark cities do), because billing and collection resource needs are independent of the size of the rest of the organization (and whether it provides an unrelated service like police in-house or via contract).

**ORGANIZATIONAL ASSESSMENT SURVEY**

The following summarizes the results of the Finance organizational assessment survey that preceded the Finance Department and “stakeholder” interviews, which helped in framing the interview structure and format.

As summarized below, both groups were asked the same four “open-ended” questions so responses between them could be compared. (The survey received an excellent response: seven Finance Department staff members and nine “stakeholders” responded to it.)

- What are the three best things about the Finance Department?
- What are three areas where the Finance Department could improve its operations or services?
- What challenges do you see in implementing these changes?
- What other thoughts or comments do you have about this review?

Since the questions were open-ended, there is no effective way of graphically presenting the responses. However, there are “themes.” The following shows the “top themes” for each question for the Finance Department staff and the stakeholders.

**❶ What are the three best things about the Finance Department?** There is general consensus between Finance staff and stakeholders regarding capable, approachable Finance staff.

Top Themes	
Finance Department Staff	Stakeholders
<ul style="list-style-type: none"> <li>• Good staff</li> <li>• Teamwork</li> <li>• Process in timely manner</li> <li>• Good routine reporting to Council and staff</li> <li>• Newer technology</li> </ul>	<ul style="list-style-type: none"> <li>• Can-do attitude</li> <li>• Friendly, approachable</li> <li>• Patient, willing to answer questions</li> <li>• Good use of limited resources</li> <li>• Training on Munis [finance system software] for new employees</li> </ul>

**❷ What are three areas where the Finance Department could improve its operations and services?** There is consensus between Finance staff and stakeholders on the need for improved morale, better communication, customer service training and more user-friendly telephone system (this was especially noted as needed in helping customers with payments over the phone).

Top Themes	
Finance Department Staff	Stakeholders
<ul style="list-style-type: none"> <li>• Morale</li> <li>• Being listened to by senior management/communication with senior management</li> <li>• Turnover/lack of stability</li> <li>• Telephone system</li> <li>• Customer service training</li> <li>• Software training</li> </ul>	<ul style="list-style-type: none"> <li>• Morale</li> <li>• Communication</li> <li>• Customer service training</li> <li>• Telephone system</li> <li>• Streamlined utility billing procedures</li> <li>• Account coding</li> </ul>

## Appendix D

③ **What challenges do you see in implementing these changes?** Both Finance staff and stakeholders are concerned about resource and staffing constraints. Finance staff are concerned about department leadership, whereas stakeholders see turnover and lack of stability as a key challenge.

Top Themes	
Finance Department Staff	Stakeholders
<ul style="list-style-type: none"> <li>• Management responsiveness/leadership in making changes</li> <li>• Resource/staffing constraints</li> </ul>	<ul style="list-style-type: none"> <li>• Time (especially for Finance Director recruitment)</li> <li>• Adjusting/resistance to changes</li> <li>• Resource/staffing constraints</li> <li>• Turnover/lack of stability</li> </ul>

④ **What other thoughts or comments do you have about this review?** Both Finance staff and stakeholders are supportive of this assessment; and both believe the new Finance Director will play an essential role in making progress on key concerns.

Top Themes	
Finance Department Staff	Stakeholders
<ul style="list-style-type: none"> <li>• Don't get me wrong we have a great team: we just need to work harder together to make it better.</li> <li>• Believe if we have the staffing, more professional management, and equipment that is necessary to implement our daily tasks/jobs that our residents need to be met, we would have a more positive work environment.</li> <li>• Difficult to retain talent with this management environment.</li> <li>• Hope this will be beneficial for us all and there will be some positive changes. For as long as I been here, never had an assessment like this.</li> </ul>	<ul style="list-style-type: none"> <li>• Believe the correct finance director will have a lot to do with the changes that occur in the Finance Department. Proper leadership will help incorporate the department's feedback into projects and strategies and help display employee empowerment, value and help employees feel safe at work.</li> <li>• From what I have learned about the dept, this assessment is much needed and overdue.</li> <li>• I think this assessment is a great idea. Finance department needs all the help it can get.</li> </ul>

### Consultant Qualifications

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I have extensive experience in strategic planning, organizational review and policy analysis, as well as in a broad range of financial management practices that have received state and national recognition for excellence in financial planning and reporting.

My work ranges from San Luis Obispo (the city that Oprah Winfrey calls the “Happiest City in America”) to volunteer service helping the troubled City of Bell reform their government.

#### **SENIOR FINANCIAL MANAGEMENT EXPERIENCE**

Bill Statler has over 30 years of years of senior financial management experience, which included serving as the Director of Finance & Information Technology/City Treasurer for the City of San Luis Obispo for 22 years and as the Finance Officer for the City of Simi Valley for 10 years before that.

Under his leadership, the City of San Luis Obispo received national recognition for its financial planning and reporting systems, including:

- Award for Distinguished Budget Presentation from the Government Finance Officers Association of the United States and Canada (GFOA), with special recognition as an outstanding policy document, financial plan and communications device. *San Luis Obispo is one of only a handful of cities in the nation to receive this special recognition.*
- Awards for excellence in budgeting from the California Society of Municipal Finance Officers (CSMFO) in all four of its award budget categories: innovation, public communications, operating budgeting and capital budgeting. Again, *San Luis Obispo is among a handful of cities in the State to earn recognition in all four of these categories.*
- Awards for excellence in financial reporting from both the GFOA and CSMFO for the City’s comprehensive annual financial reports.
- Recognition of the City’s financial management policies as “best practices” by the National Advisory Council on State and Local Budgeting.

The financial strategies, policies and programs he developed and implemented resulted in strengthened community services and an aggressive program of infrastructure and facility improvements, while at the same time preserving the City’s long-term fiscal health.

#### **CONSULTANT SERVICES**

##### **Long-Term Financial Plans**

- City of Salinas
- City of Camarillo
- City of Carpinteria
- City of Grover Beach
- City of Pismo Beach
- City of Twentynine Palms

## Appendix E

- City of Bell
- Bear Valley Community Services District

### **Strategic Planning and Council Goal-Setting**

*In collaboration with HSM Team*

- City of Monrovia
- City of Sanger
- City of Pismo Beach
- City of Willits
- City of Bell (Pro Bono)

### **Organizational Analysis and Policy Advice**

- Financial Practices Review: City of Monterey
- Financial Management Advice During Finance Director Transition: City of Monterey
- Organizational Review (Community Development, Public Works and Parks & Recreation): City of Monterey
- Finance Organizational Review: Ventura Regional Sanitation District
- Using Benchmarks to Measure Performance and Assess Fiscal Accountability: City of Capitola
- Financial Management Improvements: City of Capitola
- Organizational Assessment: City of Willits (in collaboration with the HSM Team)
- Finance Division Organizational Review: Sacramento Metropolitan Fire District
- Finance Department Organizational Review: City of Ceres (in collaboration with national consulting firm)
- Financial Management Transition Team and Policy Advice: City of Bell (Pro Bono)
- Preparation for Possible Revenue Ballot Measure: City of Monterey
- Fund Accounting Review: State Bar of California
- Construction Project Contracting Review: Central Contra Costa Sanitary District
- Focused Financial Review: City of Watsonville
- Financial Assessment: City of Guadalupe
- Financial Condition Assessment: City of Grover Beach
- General Fund Reserve Policy: City of Los Gatos
- General Fund Reserve Policy: City of Pacific Grove
- General Fund Reserve Policy: City of Lompoc
- General Fund Reserve Policy: City of Twentynine Palms
- General Fund Reserve Policy: City of Willits
- Reserve Policy: State Bar of California
- Budget and Fiscal Policies: City of Santa Fe Springs

### **Interim Finance Director**

- City of Monterey
- San Diego County Water Authority
- City of Capitola

### **Other Financial Management Services**

- Revenue Options Study: Santa Clara Valley Water District
- Revenue Options Study: City of Greenfield
- Revenue Options Study: City of Pismo Beach
- Cost Allocation Plan: City of Greenfield
- Cost Allocation Plan: City of Guadalupe
- Cost Allocation Plan: City of Port Hueneme
- Cost Allocation Plan: City of Grover Beach
- Cost Allocation Plan Review: State Bar of California
- Cost Allocation Plan Review: City of Ukiah
- Disciplinary Proceedings Cost Recovery Review: State Bar of California
- Water and Sewer Rate Reviews: Avila Beach Community Services District
- Water and Sewer Rate Reviews: City of Grover Beach
- Solid Waste Rate Review: County of San Luis Obispo, Los Osos, North County and North Coastal Areas
- Joint Solid Waste Rate Review: Cities of Arroyo Grande, Grover Beach, Pismo Beach and Avila, Cayucos, Nipomo and Oceano Community Services Districts

### **PROFESSIONAL LEADERSHIP**

- Member, Board of Directors, League of California Cities (League): 2008 to 2010
- Member, California Committee on Municipal Accounting: 2007 to 2010
- Member, GFOA Budget and Fiscal Policy Committee: 2005 to 2009
- President, League Fiscal Officers Department: 2002 and 2003
- President, CSMFO: 2001-12
- Member, Board of Directors, CSMFO: 1997 to 2001
- Chair, CSMFO Task Force on “GASB 34” Implementation
- Fiscal Officers Representative on League Policy Committees: Community Services, Administrative Services and Environmental Quality: 1992 to 1998
- Chair, Vice-Chair and Senior Advisor for CSMFO Committees: Technology, Debt, Career Development, Professional and Technical Standards and Annual Seminar Committees: 1995 to 2010
- Member, League Proposition 218 Implementation Guide Task Force
- Chair, CSMFO Central Coast Chapter: 1994 to 1996

### **TRAINER**

- League of California Cities
- Institute for Local Government
- California Debt and Investment Advisory Commission
- Government Finance Officers Association of the United States and Canada
- California Society of Municipal Finance Officers
- Municipal Management Assistants of Southern California and Northern California

## Appendix E

- National Federation of Municipal Analysts
- Probation Business Manager's Association
- Humboldt County
- California Association of Local Agency Formation Commissions

Topics included:

- Long-Term Financial Planning
- The Power of Fiscal Policies
- Financial Analysis and Reporting
- Fiscal Health Contingency Planning
- Effective Project Management
- Providing Great Customer Service in Internal Service Organizations: The Strategic Edge
- Strategies for Downsizing Finance Departments in Tough Fiscal Times
- Top-Ten Skills for Finance Officers
- Telling Your Fiscal Story: Tips on Making Effective Presentations
- What Happened in the City of Bell and What Can We Learn from It?
- 12-Step Program for Recovery from Fiscal Distress
- Fiscalization of Land Use
- Debt Management
- Transparency in Financial Management: Meaningful Community Engagement in the Budget Process
- Financial Management for Non-Financial Managers
- Preparing for Successful Revenue Ballot Measures
- Integrating Goal-Setting and the Budget Process
- Multi-Year Budgeting
- Financial Management for Elected Officials
- Strategies for Strengthening Organizational Effectiveness
- Budgeting for Success Among Uncertainty: Preparing for the Next Downturn
- Taking a Policy-Based Approach to Fee-Setting

### PUBLICATIONS

- *Guide to Local Government Finance in California*, Solano Press, Second Edition 2017 (Co-Author)
- *Setting Reserve Policies – and Living Within Them*, CSMFO Magazine, May 2017
- *Presenting the Budget to Your Constituents*, CSMFO Magazine, July 2016
- *Planning for Fiscal Recovery*, Government Finance Review, February 2014
- *Managing Debt Capacity: Taking a Policy-Based Approach to Protecting Long-Term Fiscal Health*, Government Finance Review, August 2011
- *Fees in a Post-Proposition 218 World*, League of California Cities, City Attorney's Department Spring Conference, May 2010
- *Municipal Fiscal Health Contingency Planning*, Western City Magazine, November 2009
- *Understanding the Basics of County and City Revenue*, Institute for Local Government, 2008 (Contributor)

## Appendix E

- *Financial Management for Elected Officials*, Institute for Local Government, 2010 (Contributor)
- *Getting the Most Out of Your City's Current Revenues: Sound Fiscal Policies Ensure Higher Cost Recovery for Cities*, Western City Magazine, November 2003
- *Local Government Revenue Diversification, Fiscal Balance/Fiscal Share and Sustainability*, Institute for Local Government, November 2002 (Co-Author)
- *Why Is GASB 34 Such a Big Deal?*, Western City Magazine, November 2000
- *Understanding Sales Tax Issues*, Western Cities Magazine, June 1997
- *Proposition 218 Implementation Guide*, League of California Cities, 1997 (Contributor)

### HONORS AND AWARDS

- Cal-ICMA Ethical Hero Award (for service to the City of Bell)
- CSMFO Distinguished Service Award for Dedicated Service and Outstanding Contribution to the Municipal Finance Profession
- National Advisory Council on State and Local Government Budgeting: Recommended Best Practice (Fiscal Polices: User Fee Cost Recovery)
- GFOA Award for Distinguished Budget Presentation: Special Recognition as an Outstanding Policy Document, Financial Plan and Communications Device
- CSMFO Awards for Excellence in Operating Budget, Capital Improvement Plan, Budget Communication and Innovation in Budgeting
- GFOA Award of Achievement for Excellence in Financial Reporting
- CSMFO Certificate of Award for Outstanding Financial Reporting
- National Management Association Silver Knight Award for Excellence in Leadership and Management
- American Institute of Planners Award for Innovation in Planning
- Graduated with Honors, University of California, Santa Barbara

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