

BILL PURCELL
MAYOR



METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

DIRECTOR OF FINANCE
COURTHOUSE, ROOM 106
NASHVILLE, TENNESSEE 37201

MEMORANDUM

To: Members of the Budget and Finance Committee
Metropolitan Council

From: David L. Manning
Department of Finance

Date: April 3, 2002

Subject: Finance Department Report

In January 2001, I submitted a report to you outlining the reorganization of the Finance Department and the status on where we stood regarding a long list of problems that needed immediate attention. I am pleased to report that the Department has made significant progress in addressing these problems and continues to work on many of them. I want to take this opportunity to share with you our progress and to outline priority areas for the Department of Finance.

The Department of Finance undertook a major organizational restructuring in September 2000. The new structure was defined by six major functional areas: Financial Operations, Internal Audit, Management and Budget, Real Property Services, Support Services, and Treasury. Along with the restructuring came change in functions and responsibilities, which included payroll benefits, grants coordination, grants monitoring, ADA compliance, customer service, HIPAA compliance, accounts receivable management, Title VI coordination, strategic planning, managing for results, cost accounting, internal implementation and consulting services, facilities planning, construction management, debt management, and cash management. With this level of additional responsibilities, it was necessary to increase staff resources.

Since my appointment, the Department has had 57 hiring opportunities as of January 31, 2002. Out of the 57, 33% of the hires were African Americans and 47% were females. Of the African Americans hired during this time period, 53% were in position classifications where the salary range was \$36,290 to \$57,081 and almost half of the females hired were in the same range (see exhibit A). I am very proud of the progress made in making the Department of Finance a more diverse workplace.

New Hires EEOC Information

January 31, 2002

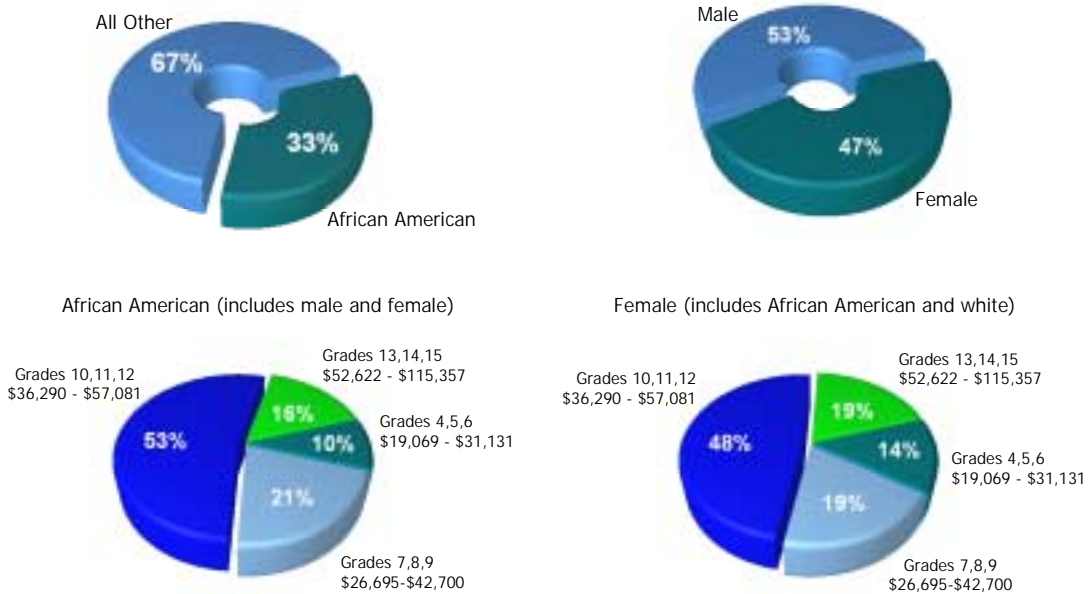


Exhibit A

On September 1, 1999 the Department of Finance had 94 employees compared to 147 on January 31, 2002 (see exhibit B). Out of the 147 employees, 24 were employees or vacant positions that transferred into Finance. Ten were employees from the closed Benefit Board Office that moved into the accounts and payroll benefits areas of Financial Operations. Four were vacant Benefit Board positions that transferred into the customer service area of Support Services and were subsequently filled. These transfers were a direct result of the recommendations made in the Benefit Board Audit. The ADA compliance functions moved from the Mayor's Office to Finance. Ten ADA employees are reflected in the 147, with one of those being a new hire.

| Department of Finance 147 Employees, January 31, 2002 | |
|--|------------|
| Employees as of September 1, 1999 | 94 |
| ADA: Transfers | 9 |
| New Hires | 1 |
| Benefit Board: Transfers | 10 |
| New Hires | 4 |
| New Hires: FASTnet/Accounting | 11 |
| Audit | 4 |
| Treasury | 5 |
| Real Property Services | 9 |
| Grants Coordination | 2 |
| Minority and Small Business | 1 |
| Budget | 9 |
| Other* | 12 |
| Employees Leaving Finance | -24 |
| Employees as of January 31, 2002 | 147 |

* Includes Finance Director.

Exhibit B

In order to better understand how Finance compared to other finance departments in cities similar to Nashville, an organizational study was conducted by the Management Solutions Group. The objective of the study was to determine strategies and best practices for the technical support of a financial management system and a structure for the Department of Finance that would best serve the needs of the government. The following is a summary of comparable cities information that was issued in March 2000.

Research was conducted on cities of comparable size to gather information on budgets, program descriptions, and staffing. The cities included Portland (pop 480,824), Denver (pop 497,840), Seattle (pop 524, 704), Austin (pop 541,278), Boston (pop 558,394), and Milwaukee (pop 590,503). Total city budgets ranged from \$900,216,493 (Milwaukee) to \$2,026,605,920 (Seattle). Nashville's 2000 general operating budget was \$1,094,670,000. Three of the six cities had consolidated central services functions. Most frequent reasons for consolidation included providing better-coordinated services, efficiency, clarity in structure, and cost containment.

The report concluded that the Department of Finance staff and budget appeared to be relatively small in comparison with the other cities. The Finance Department's budget was \$6,225,834 while Portland and Seattle had financial budgets of \$34,616,853 and \$24,264,882. Milwaukee's budget for accounting, auditing, and treasury was \$6,974,977; Austin's budget for financial management not including treasury was \$8,529.7556, Boston's budget was \$10,268,411; and Denver's was \$17,947,900. The number of full time equivalents ranged from 137 through 267. Based on the information of this study and the increase levels of responsibilities within Finance, I am very comfortable that the current staffing and budget of the Finance Department is both conservative and appropriate to meet the needs of Nashville.

The Department has completed its first-ever strategic plan. A departmental plan was developed by the Finance Leadership Team, composed of the senior leadership throughout the Department, and then was used as a basis for development of detailed plans at all levels within Finance. Virtually every employee of the Department participated in developing the plan. The Department defined its vision, mission, goals, and underlying values in order to focus employees on results and improving services to the public.

- | | |
|----------------|--|
| Vision | Excellence in the management of public resources. |
| Mission | The Department of Finance provides leadership by promoting sound management principles and practices and by effectively managing financial and other resources to enable the community to achieve its goals. |

- Goals**
- Effectively manage/communicate/deploy information (knowledge).
 - Support policymakers in setting priorities.
 - Promote an accountable and results-oriented government.
 - Support the development of staff and other resources.

Values

- Employees** We recognize our employees are our most important resource.
- Leadership** With courage and conviction, we take responsibility to forge new paths.
- Excellence** Both individually and collectively, we embrace the power to surpass our own expectations.
- Creativity / Innovation** Through study and experimentation, we value the exchange of ideas to inspire improved practices and methods.
- Integrity / Honesty / Trust** Through thoughtful and thorough communication, we demonstrate the strength of good character and the power of relationships built on respect and high professional regard.
- Inclusiveness / Diversity** We value multiple perspectives and the people who drive our success.

A performance management system has been designed to take the strategic goals down to the individual employee level. This allows every employee to understand his/her contribution to the “big picture” and the departmental strategic plan. The performance management system is a tool that puts action and direction to the words in our strategic plan. It provides the opportunity for employees to align their individual performance and development with departmental vision, mission, goals, strategies, and values. Employees are the Department’s most valued resource and each must be given the opportunity for development. This system allows employees to take responsibility for their own continuous development and to lead the Department to “RESULTS”. Another first for the Department is that every employee and supervisor has been trained on the performance management system and currently has job and development plans in place.

As a department, we understand that one of our most important functions is to effectively manage, communicate and deploy information. One way to achieve this goal is through the use of the Internet. Having accessible public data and information on the Internet is a more efficient way of doing business. Our new portal, www.nashville.gov, is the beginning of a delivery system for services and information.

The Department of Finance's web initiatives include:

- Online Vendor Application
- Online Budget Instructions
- Capital Improvement Request Forms
- BIG News Flashes
- ADA Project Review Forms
- Grants Tracking Forms
- Grants Gazette Newsletter
- Grants Management Policies and Procedures Manual
- Minority and Small Business Resource site
- Financial Reports
- Audits
- KPMG Report
- Pension Performance Reports
- 457 Plan Performance Reports
- Earned Income Tax Credit Initiative
- CAFRs
- Annual Budgets
- Purchasing Documents
- Small Business Participation Report, Fiscal Year 2002
- Customer Service (all comments, suggestions, and error reports from the web site are routed to customer service reps.)

FINANCIAL OPERATIONS

As anticipated last year, pension calculation and payroll activities of the Benefit Board were transferred to the Office of Financial Operations. The accuracy and integrity of pension calculations have been a high priority for this Office. In addition to completing audits of prior pension calculations, every new pension has undergone a review before being put on payroll. Monitoring of disability pensions has resulted in more effective and accurate benefits to qualified dependents and pensioners. Streamlining the process and incorporating automation are areas being addressed currently. The connection of service project is also nearing completion.

Our plan to significantly reduce the Finance Department's use of outside consultants has been implemented. Consultant costs for FY'2001 were less than the budgeted \$1.3 million. FY'2002 costs will be reduced to \$500,000. Even with this level of reduction of consulting services, we are continuing to build a strong foundation for supporting FASTnet (JDEdwards).

FASTnet enhancements and implementations are ongoing. Since all payrolls (active and retired) were converted to FASTnet last spring the following initiatives have begun:

- Conversion of weekly payroll to semi-monthly is targeted for June 2002; running a single payroll frequency will be more cost effective and will also afford direct deposit opportunities to every employee.
- Job Cost module of FASTnet for enhanced grants accounting and reporting has been developed; Metro Action Commission is leading the way for departmental use; the job cost module is also targeted to provide enhanced accounting and reporting for tracking capital projects and those efforts are expected to begin soon;
- MBOE (Metro Board of Education) has begun its implementation of FASTnet. Core financial modules are targeted for "go live" in November of 2002; the Payroll/HR/Benefits will kick-off soon and have a preliminary target "go live" of Spring 2003;
- A labor management system to track leave accruals as well as update the payroll processing system has been identified and will be implemented in a phased approach starting soon.

The Division of Accounts is in the process of implementing the new Governmental Accounting Standards Board (GASB) Statement 34 -- *Basic Financial Statements -- and Management's Discussion and Analysis -- for State and Local Governments* for its inclusion in the Comprehensive Annual Financial Report (CAFR) for the year ended June 30, 2002. In that report, a broader, government-wide focus will be presented to assess the government's operational accountability.

INTERNAL AUDIT

Auditing continues to be a major area of emphasis. Last year Internal Audit completed comprehensive performance audits of Schools, pension investments, Benefit Board operations, Bordeaux Hospital, the Metropolitan Transit Authority, and E911 services. As the Audit Committee reported, the cost of outside experts contracted to perform the audit work was approximately \$1.4 million, while the actual savings realized through FY' 2001 as a result of implementing the audit recommendations totaled \$4.7 million. The Audit Committee's full report to the Metropolitan Council can be found at:

http://www.nashville.gov/finance/Internal_Audit/audit_committee.htm

Earlier this week you passed Resolution No. RS2002-999 authorizing the Department of Law to accept a \$10 million settlement from UBS PaineWebber. This settlement was the result of claims arising from concerns reported in the pension investment audit issued in March 2000. The audit concluded that the pension investment consulting arrangement between the Metropolitan Employee Benefit Board and PaineWebber had inherent conflicts of interest that resulted in higher commissions for

PaineWebber. The \$10 million will be returned to the pension investment trust fund, benefiting Metro employees and retirees.

Additional audit implementation benefits realized after the Audit Committee's report was issued include:

- The Schools have their first technology strategic plan, and a chief information officer has been hired.
- The Metropolitan Transit Authority has hired its first executive director who reports to the Board and oversees the contractor that manages bus operations.
- A comprehensive disaster recovery back-up plan is being developed for our E911 system, and a director of emergency communications is being recruited to consolidate E911 services.

In the current fiscal year, Internal Audit has released a performance audit of Metro's fleet operations. That audit recommends consolidating the fleet and garage operations currently fragmented among five departments. The new centralized Office of Fleet Management will operate on a full cost recovery basis and maintain a more fully utilized, better maintained, and more cost effective fleet. Once fully implemented, the cost savings are estimated to exceed \$3 million annually. More importantly, the audit identified numerous unsafe vehicle conditions that were corrected, including unsafe conditions on a significant number of school buses.

Other audit work in process scheduled to be released in this fiscal year include comprehensive performance audits of the Police and Public Works Departments and of the Beer Board. Internal Audit is also doing work related to the Nashville Speedway, Gaylord Entertainment Center, and sales and other taxes collected from the State of Tennessee.

The financial and other benefits to the citizens resulting from Metro's audit program will continue to greatly exceed the investment the Metropolitan Council made in Internal Audit beginning with fiscal year 2001.

MANAGEMENT AND BUDGET

The Budget Office is now the Office of Management and Budget (OMB). In addition to continuing its vital work with the Mayor and Council on the operating budget, the OMB's duties have expanded to include, among other things:

- Coordination of our capital investment and budgeting processes;
- Government-wide implementation of a strategic planning and performance-focused "managing for results" initiative;
- Support for the development and use of cost information; and
- Audit implementation support and general internal consulting services for departments.

Capital Budget Process

The capital budget process has been enhanced with the addition of a capital investments coordinator in the OMB, which provides Finance with a link to the Planning Commission and the departmental capital submission process.

Over the past year, the coordinator was focused on the task of researching 'best practice' methods of various municipal governments and implementing an overall capital budget strategy for Metro Nashville.

A few of the improvements enacted over the last few months:

- A quarterly status report tracking the progress and expenditures of approved capital projects.
- Web-based capital instructions, forms and submission process.
- Increased communications between departments, administration and the Metro Council.
- Restructuring of the Four Percent Reserve fund pool.

Additional improvements will be forthcoming in this year's capital program with the initiation of an overall strategic plan including: Council and departmental orientation, a project priority review and analysis, and greater efficiency and cross-communication during the management discussion and analysis portion of preparing the Capital Improvement Budget.

Managing for Results

In order to measure and support performance throughout Metro, OMB established the Managing for Results Unit to drive the cultural and systemic focus on results.

Managing for Results is a cyclic process in which an organization critically examines and remolds itself in response to the information provided by performance measures. With the sponsorship of Metro's Executive leadership, key departments will begin to implement MfR through participatory planning and management processes in the current fiscal year.

Departments will have numerous opportunities to report the most relevant aspects of their operation—the outcomes they produce in the community—with employees, management and leadership. Metro has moved to an “open range” pay structure for management personnel—creating a perfect opportunity for tying departmental measures to individual performance plans and to strengthen results for customers. By the next budget cycle, decision makers will have a wealth of performance data through implementation of this effort.

Cost Accounting

The Cost Accounting Unit has been diligent in developing a Cost Accounting Manual and providing training to Metro agencies. The manual provides uniform guidelines to Metro agencies for the preparation and approval of cost allocation plans and indirect cost rate proposals. The primary purpose of indirect cost rate proposals is for the recovery of indirect costs from Federal and State grant funding programs. The manual further assists agencies in establishing uniform billing rate structures to recover and report the full costs of providing services and activities. With the assistance of the Cost Accounting Unit, Metro agencies have identified over \$400,000 in additional revenues through the recovery of indirect costs. On the horizon for next year the Cost Accounting Unit will manage the pilot implementation of an Activity Based Costing system for the Department of Public Works, Division of Waste Management.

Budget Improvement Group (BIG)

As part of its effort to improve the effectiveness and efficiency of the budget process, last year the OMB surveyed departments and members of Metro Council about their experience with the budget process. The response was strong and constructive, pointing to many potential areas for improvement.

To drive that improvement the OMB team recruited volunteers to be part of the Budget Improvement Group (BIG). The BIG team, drawn from 18 Metro departments of all sizes and functions, joined with OMB staff to select areas for focus and then produce recommendations for improvements in those areas.

The five focus areas were:

- Salary & Fringe and Position Control
- Reports and Information
- Budget Reporting Structure
- Performance Measures
- Four Percent Monies, Bonds, and Capital Improvement Budget

The BIG process yielded significant recommendations that are being implemented by the OMB, in partnership with other departments. Many of the improvements Council Members will see in the FY03 operating and capital budgeting processes are the direct results of the recommendations of the BIG teams.

Operating Budget Process

In the next year, Metro will have the creation of unprecedented partnerships to drive and sustain improvements to the budget process beyond the current operating cycle. Work has already begun to better coordinate the Operating and Capital Budgeting processes in cooperation with Planning and OMB. Managing for Results is being driven throughout Metro through sustaining partners including the Health Department, Human Resources, Finance, and MfR Pilot Departments. In addition, OMB and Information Systems are working together to drive more detailed information to the web for both internal users and our citizens.

In the next year Council will have:

- Standardized employee demographic analysis and salary review schedules during the Budget process for review and decision making purposes.
- Higher quality Performance data on Departments as well as Strategic Planning information in the Mayor's Recommended Operating Budget.
- Continuing Education Sessions on the Budget process and appropriate role and benefits of performance measures for greater accountability in Metro.
- User friendly changes to the formatting of the proposed Recommended Budget Book.

In the next year Departments will have:

- A Technical Review and Priority Ranking process where each will have an opportunity to sit down with OMB and the Planning Department to prioritize their submissions for the Capital Improvement Budget.
- A wider range of FASTnet reports on the website as well as a 'Reports Glossary' page with search capability.

- A combined operating and capital budget process.
- A meaningful, useable fringe budgeting and salary projection system.

Implementation and Internal Consulting Services

The OMB has assumed a central role in ensuring that recommendations contained in selected performance audits are successfully implemented. In partnership with the Office of Internal Audit, OMB staff work with multiple departments to facilitate the improvements outlined in the E-911 and Fleet Management studies. OMB staff also support the implementation of Metro's Stormwater initiative. This implementation support helps to ensure that we are on track to increase efficiency and effectiveness, provide better service, and realize cost savings in these very important areas.

In addition, OMB provides customized consulting services and technical support to meet mission-critical needs across the government. Recipients of Internal Consulting Services in the current year have included Fire, Public Works, Metro Social Services, and the enterprise-wide E-Gov initiative.

Support Services

The Office of Support Services has evolved over the year into a collection of diverse divisions that delivers essential services to all Metro agencies. The office encompasses seven divisions.

- ADA Compliance
- Customer and Claim Services
- Grants Coordination
- Grants Monitoring
- Minority & Small Business Assistance
- Purchasing
- Surplus Property Warehouse

Five of the seven divisions are newly established and much time has been spent on strategic direction and becoming operational.

ADA Compliance

The Mayor's Office on Disability officially moved to the Department of Finance and became the ADA Compliance Division in FY'2002. With the move of this division into Finance, many internal collaborative partnerships have been formed with facilities, purchasing and grants.

As required in the agreement with the Department of Justice, an assessment was completed of all programs, services and activities provided by Metro General Government. An accessibility assessment was also completed on two hundred and ninety eight buildings. All of this information is being used in the development of a transition plan, that will address the accessibility of the programs offered at all facilities, parks, playgrounds, and rights-of-way.

Focus has been given to the communication policies that are currently in place for Metro. Departments have begun looking at how they provide information to the public, i.e. print work, through deaf interpreters, public television, public meetings and by the use of the Internet. There has been extensive involvement of those representing the disabled community, both as end users and advocates. Communication awareness training has been provided to the ADA Coordinators of all Metro Departments, who will be involved in assuring that the effective communication policy that was adopted by Metro Government in 2000 is institutionalized in their everyday operations.

Progress has been made through a partnership with the Parks Department in the development of procedures that assures accessibility to recreation areas, both in new construction and rehabilitation. This includes playgrounds, ball fields, concession stands, and greenways. In addition, policies have been adapted to include accessibility requirements for any special event that is held by or on Metro Parks properties.

Facilities review procedures have been implemented for inclusion of the ADA Compliance Division for the review of accessibility of any construction work on Metro properties. Over two hundred projects, that include Board of Education facilities and facilities of the General Government, have been reviewed by staff. By working closely with Codes and Real Property Services, success has been seen in completed projects, such as Henry Maxwell School, Watkins Park Library, and the recent rehabilitation project at the Tennessee State Fairgrounds.

Customer Service and Claim Services

Responsiveness to our customers is critical to effective management. In response to that need, a customer relationship management system as well as a communications platform has been established. This solution will give us an incredible tool to help in the delivery and tracking of pertinent customer information. The Metro recycling project, brush removal, and employee benefit issues will be the first areas incorporated into this system.

As part of our effort to increase collections where possible, a contract was awarded to Public Consulting Group to help recover the costs of delivering Medicaid Administrative Outreach and Direct Medical Services. At this time, a pilot program is being established to help Metro Schools service providers document their services. This will help them reduce the amount of paper work and errors and will provide the necessary information to allow us to submit claims for the services we are providing. Hand-held devices that synchronize to a central database will allow for easy scheduling, updating and documenting of services provided. In addition to the school project, Public Consulting Group will be working with Metro to identify other revenue recovery opportunities.

The Health Insurance Portability & Accountability Act of 1996 (HIPAA) calls for the standardization of electronic patient health, administrative data, financial data; and unique health identifiers. It also requires security standards that protect the confidentiality and integrity of "individually identifiable health information". This is a critical issue facing Metro this next year. By April 2002, a RFP will be released requesting for an assessment of our readiness to implement HIPAA requirements. The coordination of compliance issues will be the responsibility of this division.

Grants Monitoring

Internal monitoring of Metro agencies that receive federal and state financial assistance and non-profit organizations that receive appropriations from Metro government is the responsibility of this division.

Monitoring activities are aligned with the major compliance areas identified by the Office of Management and Budget (OMB) Circular A-133, and in compliance OMB Circular A-87 Cost Principles. Reviews are conducted in accordance with Generally Accepted Government Auditing Standards. The division's monitoring objectives are as follows:

- To determine whether the activities and costs of the programs are allowable and eligible under the program regulations and provisions of the contract/grant agreement
- To determine that costs reported under the grant program are consistent with provisions of grantor guidelines and OMB Circular A-87
- To verify that civil rights requirements are met
- To determine whether minimum requirements for local matching contributions and/or adequate level of expenditures by other sources of funds are met
- To determine whether funds received in advance of disbursements exceed the immediate cash needs of the program

- To determine whether the department adheres to grantor guidelines for the purchase of equipment
- To determine whether grant funds were used exclusively during the period the funds were authorized
- To determine that purchases were made in accordance with OMB Circular A-110, the minimum state and local requirements, and grantor guidelines
- To determine the reliability and timeliness of grant financial reporting
- This division will also take the lead in monitoring procurement and prompt pay practices of all Metro departments.

Grants Coordination

A significant gap in services to Metro agencies existed until the formation of this division. This division is charged with streamlining the Metro grant process and developing funding opportunities. A framework has been designed to bring consistency and organization to the grants approval process in Metro Government. It was rolled-out in February 2002. The establishment of grant policies and procedures, the streamlining of the grant process and the development of a grants website are the beginning of this framework. Extensive use is being made of electronic systems for grants management, including a comprehensive grants database, the electronic submission of grants for approval, and the electronic tracking of grants through the approval process. This also includes a website, which offers not only grants-related information, but also a portal for entering grants into the Metro system.

Time has been spent on developing funding opportunities that are well suited to local needs while controlling the cost associated with financial assistance. A funding development plan has been issued and Randall Funding & Development will assist Metro in pursuing these grant opportunities. As of February 2002, Randall has responded to 34 requests for grant research for various Metro departments. That research has resulted in eleven grant applications totaling \$3,711,708.00. These grants ranged in funding from \$89,790.00 to \$1,000,000.00. To date, one grant has been funded for \$89,790.00 and two are pending award announcements from grantors.

Metro Title VI activities, the non-employment related Title VI function for Metro Government has been transferred to Finance. This function was an appropriate fit into Support Services since the coordination of grants, grants monitoring, and grant technical assistance for Metro Government are housed here. A new Title VI coordinator has been designated who possesses an extensive knowledge base and understanding of Title VI laws and issues pertinent to successful development and implementation of compliance plans. A Metro-wide Title VI plan will be developed to facilitate planning and to minimize duplication of effort by Metro departments.

The plan will be reviewed annually to ensure Metro compliance with Title VI legislation, thereby minimizing Metro's potential for litigation and discontinuance of funding.

Minority and Small Business Assistance

A recent reorganization moved the minority and small business function out of Purchasing and established the Division of Minority and Small Business Assistance. The primary purpose of this division is to promote the development of minority and small businesses in Nashville and Davidson County by providing them with information, technical assistance and resources to enhance their economic growth. The division strives to achieve the following goals:

- Through the Minority and Small Business Coordinator, to serve as the advocate for Metropolitan Nashville Government with regard to Minority and Small Business Development Activities.
- To increase minority and small business participation in Metro Government procurements.
- To develop improved working relationships with Metro Government Departments by providing technical assistance regarding minority and small business utilization in procurements; by being available to serve on RFP and ITB evaluation committees and by providing referrals.
- To serve as a resource to minority and small businesses providing information and technical assistance in general business development. This includes the development of a three-year plan for minority and small business development.

Two new staff members are in place to give this important issue the deserved attention.

Purchasing

MGT of America is conducting a management review of the Purchasing Division. This review will produce a comprehensive report that will include best practices, emerging trends and technologies in the public and private sectors, an analysis of the Metro procurement code in the context of state requirements, the use of procurement cards, the management of delegated authorities, and other procurement issues. An implementation plan will be developed based on the recommendations. I anticipate this review with recommendations will be available by the end of the fiscal year and will be an important part of our analysis and recommendations to the Council for renewal of the Metro Purchasing Law that will sunset on December 31, 2002. You will be kept abreast of our progress.

Surplus Warehouse

Within the next 60 days, Metro will have its own online auction site for surplus items. The system will advertise excess property to all Metro departments before items are surplused. The new system will allow us to move the surplus inventory in a more efficient manner. Online payments will be a convenience for the public.

Treasury

Last year I reported that KPMG was in the midst of their study of the Treasury function. The initial phase of the KPMG study was completed last spring and the second phase was completed last July. Phase one of the study addressed the staff support needs of the Pension Investment Committee. The recommendation was to restructure the Office of the Treasurer to fulfill the reporting needs of the Committee and to provide staff to be the liaison with the independent pension consultant for pension and deferred compensation. The Treasurer was named the Plan Administrator of the Deferred Compensation Plan.

The Treasurer is moving ahead with a plan to implement six recommendations that are projected to save Metro between \$10 million and \$14 million over a five-year period. Two projects are directly related to FASTnet and will decentralize the revenue recognition for some departments and set up point of sale systems (POS) for others. The POS system will allow citizens to make any type of payment in any office that is equipped to handle the various payments. The POS will integrate with the accounting system allowing faster entry of data into the system. Beginning in July, Metro will operate an umbrella banking agreement covering accounts that have previously been outside of the depository agreement. This will provide purchasing power and lower overall banking fees from what is currently being paid on an individual basis. The Treasurer is also implementing a consolidated lockbox for Metro departments that will provide a consistent process to deposit and record the revenue more timely and to save on processing costs. Two other sub-projects involve investment software and consolidating the non-sufficient check processing function.

The Office of the Treasurer has added staff to be able to handle the additional duties recommended by KPMG relating to all of the subprojects. KPMG recommended additional staff for both the lockbox and NSF consolidation when they are implemented next fiscal year. The Treasurer is now providing staff support to the Pension Investment Committee and the Cash Investment Committee.

Real Property Services

The formation of this new group was completed in the past year, with the assembling of staff and the integration of public property functions into the group's overall scope of responsibilities. The group immediately began a structured process of studying and evaluating existing Metro facilities so that immediate and longer-term capital

needs could be identified. These studies have provided the basis of information needed to establish priorities for the wise expenditure of planning and construction dollars to create, protect, and preserve our investment in buildings and structures. Plans have been formulated for the renovation of several major buildings, the construction of new spaces, demolition of some obsolete and un-usable space, and the surplus and disposition of at least one major building.

Over the past year, a number of facility efforts have been successfully completed and several major building initiatives have begun:

- Judicial planners and designers were hired to study and develop needed judicial facilities – planning is nearly complete on an addition to the Ben West Building and design is now underway; planning is underway on the historic Courthouse and design efforts are beginning;
- Total renovation of the Old Metro Office Building is underway; interior demolition is almost complete and design efforts have begun;
- A site has been selected for a new Police Precinct in North Nashville and the design is nearly complete; construction will begin within 60-90 days;
- The Stahlman Building was declared surplus and will be sold to a developer for renovation and construction of approximately 170 residential units;
- The long-abandoned “original” section of the Tom Joy Headstart Center was identified as a life-safety hazard and demolished; Phase 1 renovation of the balance of the facility is complete and the Phase 2 is in design;
- Real Property Services is working with Internal Audit and OMB to assure effective implementation of all of the facilities related aspects of implementation of the fleet and E-911 Audits released last year; and
- Several major roofing projects have been completed for the Fairgrounds, Fire Department, Sheriff’s Office and Clifford Allen Building, with several more now underway or in planning.

In addition to examining the physical condition of our facilities, this group has also begun to look at the utilization of facility spaces. This has resulted in re-locating some programs to different facilities and re-configuring some program spaces for a more efficient and effective use where space is limited.

Some of this group’s efforts over the past year have been:

- The Eighth Circuit Court has been provided a permanent home in the Courthouse;
- Two former branches of the Public Library have been renovated and are now being utilized to house multiple programs, two of which were previously in leased space;

- The Caring for Children program has been re-located to the Howard Office Building, freeing up much needed space for additional Juvenile Justice Center programs;
- Work is underway on the first major “refreshening” of the Convention Center since it’s opening, some two decades ago; and
- Finally, in order to prioritize, plan and seek funding to address other pressing needs, a number of master planning efforts are underway:
 - The Headstart plan should be complete by the end of April;
 - The Health Department facilities plan has just begun;
 - Working with Don Stoughton and Associates, a detailed plan for Metro Jails is nearing completion;
 - A comprehensive system-wide parking study is underway, to be completed in several phases over the next year; and
 - A comprehensive facilities security study will begin by the end of April.

It is my goal to keep you informed about the activities of the Department of Finance. Please let me know if you have questions. We appreciate your continued support.

CC: Mayor Bill Purcell
 Vice Mayor Ronnie Steine
 Members of the Metro Council
 Members of the Audit Committee
 Members of the Civil Service Commission
 Department Heads and Elected Officials
 Fiscal Officers